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No.

IN THE
Supreme Court of the United States
OCTOBER TERM, 1984

NATIONAL BUSINESS SYSTEMS, INC., et al
Petitioners,

v.

AM INTERNATIONAL, INC., *et al.*,
Respondents.

APPENDIX I TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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226 pp

TABLE OF CONTENTS

	Page
APPENDIX A —Court of Appeals' Opinion	1a
APPENDIX B —District Court's Memorandum Opinion	25a
APPENDIX C —Court of Appeals' Order Denying Petition for Rehearing	64a
APPENDIX D —Court of Appeals' Order Denying Appellants' Motion to Correct Errors and Denying Appellants' Motion for Sanctions	66a
APPENDIX E —Court of Appeals' Order Amending Opinion	69a
APPENDIX F —Court of Appeals' Order Staying Issuance of Mandate	71a
APPENDIX G —Court of Appeals' Corrected Order Staying Issuance of Mandate	73a
APPENDIX H —Appellants' Petition for Rehearing with Suggestion for Rehearing En Banc	75a
APPENDIX I —Appellants' Motion to Correct Errors in Opinion Filed September 20, 1984	95a
APPENDIX J —Appellants' Motion for Sanctions	114a
APPENDIX K —Memorandum in Support of Appellants' Motion for Sanctions	115a
APPENDIX L —AM International's Memorandum in Opposition to Appellant's Motion for Sanctions	140a
APPENDIX M —Reply Memorandum in Support of Appellants' Motion for Sanctions	148a
APPENDIX N —Appellees' Memorandum in Opposition to Appellants' Motion to Correct Errors in Opinion	150a

TABLE OF CONTENTS—Continued

Page

APPENDIX O —Defendants-Appellees' Answer to Appellants' Petition for Rehearing With Suggestion for Rehearing En Banc 164a

APPENDIX P —Petition for Rehearing of Appellants' Motion for Sanctions with Suggestion for Rehearing En Banc 180a

APPENDIX Q —Court of Appeals' Order Denying Petition for Rehearing of Appellants' Motion for Sanctions and Denying Appellees' Motion to Reconsider Order Staying Issuance of Mandate 189a

APPENDIX R —Plaintiffs' Supplemental Proposed Fact Findings 245-249 ..... 190a

APPENDIX S —Statutes and Rules 219a

APPENDIX A

IN THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants,

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 80 C 4915 & 81 C 6227—Nicholas J. Bua, *Judge.*

OPINION

Filed September 20, 1984

Before PELL and ESCHBACH, *Circuit Judges,* and JAMESON, *Senior District Judge.**

JAMESON, *District Judge.* National Business Systems, Inc. (NBS) appeals from those portions of the judgment of the district court (1) holding claim 7 of AM Interna-

* Hon. William J. Jameson of the District of Montana, sitting by designation.

tional Inc.'s (A.M.) patent No. 3,272,120 valid and infringed; (2) denying NBS costs and attorneys' fees; and (3) granting an injunction against further infringement of claim 7 by NBS.[1] We affirm and remand for a determination of damages.

I. *Factual Background*

This appeal concerns a single patent, No. 3,272,120, ('120) entitled "Address Printing Machines with Roller Platens," issued to AM (as assignee of the inventor, D.W. Johnson) on September 13, 1966 from an application filed October 22, 1964.[2] The patent was described by the district court as follows:

> The '120 patent discloses and claims a data recorder using a two platen roller, two stroke (forward-return) method for imprinting forms from embossed printing plates or cards, such as are used in credit transactions in department stores and gas stations and in finance institutions with bank cards. The data recorder disclosed in the '120 patent has a dual

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[1] Exclusive jurisdiction over patent appeals is now vested in the United States Court of Appeals for the Federal Circuit, 28 U.S.C. § 1295(a)(1) (as amended April 2, 1982). The Federal Courts Improvement Act that amended section 1295, however, provided: "any case in which notice of appeal has been filed in a district court of the United States prior to the effective date of this Act [October 1, 1982] shall be decided by the court of appeals to which appeal was taken." Federal Courts Improvement Act, Pub.L. No. 97-164, § 403(e), 96 Stat. 37, 58 (1982). The notice of appeal in this case was filed before October 1, 1982, and therefore this court properly acquired jurisdiction.

[2] The validity of three other patents held by AM—No. 3,138,091 ('091) 3,340,800 ('800) and 3,763,777 ('777), was also determined by the district court. The court held claim 12 of the '800 patent and claims 1-3 of the '777 patent invalid and claims 1 to 6 of the '120 patent, claims 1-11 of the '800 patent, and claims 4 and 5 of the '777 patent not infringed. In a prior order the court held the '091 patent valid but not infringed.

platen roller arranged on a double eccentric shaft constituting a platen assembly which allows for selective imprinting of characters from the embossed plates or cards. A first platen roller is lowered and imprints on the form the first portion of characters as it rolls along the embossed plate or card, which is on the bed of the data recorder, in a left-to-right stroke of the platen carriage, which houses the platen assembly and is operated by hand. The first platen roller is then raised and a second platen roller is lowered to imprint the remaining portion of the characters as it rolls along the embossed plate or card in a right-to-left return stroke.

The AM machine was designed to meet a particular demand for an imprinter that could produce imprints on carbon form sets sufficiently clear to be read accurately by machine. The demand in part grew out of the American Bankers' Association's decision to adopt "magnetic ink character recognition symbols" (MICR symbols) for imprinting deposit slips, receipts, and other forms. As the patent examiner remarked in 1966, "[a]lthough the use of MICR characters has greatly increased the speed and efficiency with which the imprinted forms can be sorted, a considerable amount of difficulty has been encountered in the imprinting of the MICR characters on the forms." After listing recent improvements in the design of imprinters and form sets, the examiner described the principal object of the AM machine: "it is the object of the present invention to further advance current practices of imaging form sets with characters having a high degree of clarity and outline accuracy through the use of small data recorders."

The '120 patent listed seven claims, the last of which was held to have been infringed. Claim 7 is described in the patent:

7. A method of making an impression on a form set from an embossed printing device which utilizes a

> carriage movable in opposite directions between a first and second position and having a pair of roller platens rotatably supported thereon, rolling one of the platens in printing relation to one portion of the printing device with the other platen in non-printing relation to another portion of the printing device when the carriage is moved in one direction, and rolling the other platen in printing relation to the other portion of the printing device with said one platen in non-printing relation to said one portion when the carriage is moved in the opposite direction.

Accompanying and illustrating the claims in the patent were drawings showing "a preferred embodiment of the present invention" as a "small data recorder" with its carriage and platform holding a merchant plate and customer card.

II. *Proceedings Below*

On April 27, 1978 AM initiated the proceedings leading to this litigation when it applied for reissue of the '120 patent pursuant to 35 U.S.C. § 251. The purpose of the reissue proceeding is to correct inadvertent errors in the original patent which may make it "wholly or partly inoperative or invalid." *Id.* AM sought to amend its patent by adding additional references to "prior art." Prior art references are important because the statutory presumption of the patent's validity, 35 U.S.C. § 282, "is 'largely, if not wholly, dissipated' when the pertinent prior art is not considered by the Patent Office." *Medical Laboratory Automation v. Labcon, Inc.*, 670 F.2d 671, 674 (7th Cir. 1981) (quoting *Chicago Rawhide Mfg. Co. v. Crane Packing Co.*, 523 F.2d 452, 458 (7th Cir. 1978), *cert. denied*, 423 U.S. 1091 (1976)). Failure of the examiner to consider pertinent prior art, then, leaves the patent open to attack on numerous grounds such as "obviousness" (35 U.S.C. § 103), anticipation (35 U.S.C. § 102(a)), and fraud on the Patent Office (37 C.F.R. § 1.56).

On November 17, 1980, NBS filed a petition and protest in the reissue proceeding, asking the Patent Office to withdraw AM's application and to strike it from the Patent Office files for violation of the duty of disclosure required under 37 C.F.R. § 1.56. The patent examiner's initial opinion on February 12, 1981 noted that a prior art patent No. 3,340,800 ('800), also assigned to AM, "would clearly have been material and would have been a most pertinent reference." The examiner then considered the merits of the reissue application and rejected all claims of the '120 patent. The examiner specifically rejected Claim 7 on two grounds: (1) "under 35 U.S.C. § 102 (a) as fully anticipated by Cox [patent No. 539,356]"; and (2) "as being 'on sale' [under § 102(b)] more than a year before the [October 22, 1964] filing date" of the original '120 patent application. AM appealed to the Patent Office Board of Appeals. At AM's request the appeal was suspended pending the outcome of this litigation.

While the reissue proceedings were still pending, appellant NBS filed two complaints in federal district court. In pertinent part NBS sought a declaratory judgment "for the purpose of resolving an actual controversy between the parties with respect to the validity, enforceability and infringement by plaintiffs of each of AM's United States Patents 3,138,091; 3,272,120; 3,340,800; 3,763,777." NBS also sought treble damages and attorneys' fees under 35 U.S.C. §§ 284 and 285 respectively. AM counterclaimed against NBS, alleging the validity and infringement of each of its four patents and similarly requesting treble damages and attorneys' fees. The trial lasted eleven days, from April 13 to April 28, 1982.

On August 26, 1982, the district court issued a 49-page memorandum opinion, with a careful analysis of the expert testimony, exhibits, and applicable law.[3] The court concluded, *inter alia*, that claim 7 of AM's '120 patent

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[3] See *National Business Systems, Inc. v. Am. Intern. Inc.*, 546 F.Supp. 340 (N.D. Ill. 1982).

was "valid and infringed by plaintiffs' devices." The court enjoined NBS from further manufacture and sale of the infringing imprinters and ordered an accounting "as to the amount of damages suffered by AM by reason of NBS' infringement of Claim 7." Based on this accounting, the court ordered that "AM shall recover from Plaintiffs the amount of these damages, not less than a reasonable royalty."

Observing that "this is a close case," that "at any time the validity and infringement of the three patents was 'open to honest doubt,' " that "defendants have not proven that plaintiffs acted in a bad faith belief that the patents were invalid," and that "defendants have not carried their burden of proof as to willful infringement," the court denied both parties' requests for treble damages and attorneys' fees.

Finally, in the same order, the court certified its judgment for immediate appeal pursuant to Fed.R.Civ.P. 54 (b). NBS now appeals both the court's judgment of validity and infringement and its denial of attorneys' fees and costs.

III. *Contentions on Appeal*

Appellant NBS raises numerous issues on appeal which are summarized in the following five contentions:

1. The district court was bound by the Patent Office's final rejection of the reissue application, and alternatively AM is "collaterally estopped to assert that claim 7 is valid, having unsuccessfully contested that issue in a fair proceeding before the [Patent Office];"
2. Claim 7 is invalid for being obvious under 35 U.S.C. § 103.
3. Claim 7 is invalid, having been "anticipated" by prior art under 35 U.S.C. § 102(a) and having been "on sale" for more than a year as prohibited by 35 U.S.C. § 102(b).

4. The court erred in concluding that claim 7 was infringed under the "doctrine of equivalents."

5. The court erred in denying NBS attorneys' fees and costs provided for under 28 U.S.C. § 1927 and 35 U.S.C. § 285.

IV. *Effect of Patent Office Reissue Decision*

NBS contends that the Patent Office's decision rejecting claim 7 in the reissue proceeding was entitled to a "presumption of correctness" in the district court. This presumption, NBS argues, shifted the burden to AM to prove the decision was wrong. Alternatively, NBS argues that "[i]ntertwined with the presumption" is the doctrine of collateral estoppel which would prevent AM from relitigating the same issues decided by the Patent Office.

A patent is presumed valid. 35 U.S.C. § 282. This court has held unequivocally that section 282 "places the burden of persuasion on the party attacking the validity of the patent. This burden remains upon the alleged infringer throughout the [judicial] proceeding and is in no sense dependent on the character of the proceedings before the Patent Office. . . ." *Chicago Rawhide Mfg, Co. v. Crane Packing Co.*, 523 F.2d 452, 457-58 (7th Cir. 1975), *cert. denied*, 423 U.S. 1091 (1976).

In *Johnson & Johnson v. Wallace A. Erickson & Co.*, 627 F.2d 57 (7th Cir. 1980), we considered whether a district court could compel a reissue proceeding as a condition precedent to adjudication in the court. In holding that the district court lacked the power to compel a prior resort to the Patent Office, we first noted that "the only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the Courts of the United States, and not in the department which issued the patent," quoting from *McCormick Harvester Co. v. Aultman*, 169 U.S. 606, 609

(1898) *Id.* at 59. We concluded that a prior reissue proceeding would have *no* effect on subsequent litigation over the validity of a patent:

> The doctrine of primary jurisdiction does not apply. The validity of patents is "within the conventional experience of judges. . . ." The question of the validity of any particular patent is a private issue between the patentee and alleged infringers, and not a public issue of industry-wide or regulatory concern. Finally, the factual adjudications of the Patent Office, unlike most administrative factual adjudications, . . . are not conclusive if supported by substantial evidence on the record considered as a whole. The ultimate question of patent validity is one of law and not subject to the clearly erroneous standard of review. . . . *Thus, the compelled reissue proceedings would have no effect whatever on the judicial process.*

627 F.2d at 61-62 (citations omitted, emphasis added); see also *Application of Hitchings*, 342 F.2d 80, 82 (C.C.P.A. 1965) (even within the Patent Office "principle of res judicata should not apply where the initial decision is no more than an unappealed final rejection of an examiner."); cf. *Mooney v. Brunswick Corp.*, 663 F.2d 724, 731 (7th Cir. 1931) (irregularities in reissue proceeding diminished presumption of validity).

In the subsequent case of *Singer Co. v. P. R. Mallory & Co., Inc.*, 671 F.2d 232 (7th Cir. 1982), reversing an order of the district court enjoining a patentee from proceeding with its patent reissue application, we recognized that the statutory procedure under 35 U.S.C. § 251 would "permit a review of prior art by an agency with particular expertise in the area, and . . . provide a guide to the patentee as to the advisability of continuing expensive infringement litigation." *Id.* at 236. On the other hand, we also noted that a reissue of the patent would not affect the substantive rights in the litigation

of the party attacking the validity of the patent. "The district court will still rule on . . . [the] prior art claims, thus providing a remedy at law for any 'incorrect' findings by the Patent Office." *Id.* at 235.

The courts generally defer to the technical expertise possessed by the Patent Office in originally issuing a patent. This expertise and corresponding judicial deference are the practical underpinnings of the statutory presumption of validity surrounding patents. See *Chicago Rawhide Mfg. Co.*, 523 F.2d at 458; *Parker v. Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir. 1975). But less deference is appropriate for a patent office finding of invalidity in a reissue proceeding because, as we pointed out in *Johnson & Johnson*, patent validity is a question of law reserved exclusively to the federal courts in de novo proceedings. Here, special deference to the Patent Office decision is particularly inappropriate because the patent had been in existence for over 11 years and because the district court, having the benefit of extensive proof by expert testimony and demonstrative evidence, issued a detailed, well-reasoned opinion. The decision of the Patent Office in the reissue proceeding is neither cloaked in a "presumption of correctness" independent of the patent nor entitled to special deference in a separate federal court adjudication of patent validity.

V. *Validity of Claim 7*

It is well established that "the ultimate question of patent validity is one of law. . . ." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966); *Medical Laboratory Automation v. Labcon, Inc.*, 670 F.2d at 672. The Supreme Court has made it equally clear, however, that the three conditions of patent validity—novelty, utility (defined in 35 U.S.C. §§ 101 and 102), and "nonobviousness" (35 U.S.C. § 103)—are legal issues which lend themselves to critical factual inquiries. See *Graham*, 383 U.S. at 17.

In *Republic Industries Inc. v. Schlage Lock Co.*, 592 F.2d 963, 972-73 (7th Cir. 1979), and *Dual Mfg. & Engineering, Inc. v. Burris Industries Inc.*, 619 F.2d 660, 665 (7th Cir. en banc), *cert. denied*, 449 U.S. 870 (1980), we summarized the extent of the presumption of validity of a patent, noting that the presumption is not conclusive, but merely places the burden of proof on the party attacking the validity of the patent. We noted further that the presumption does not exist against evidence of prior art not before the Patent Office, and that even one prior art reference not considered by the Patent Office can suffice to overthrow the presumption.

Even though the presumption of validity is weakened by the failure of the Patent Office to consider all pertinent art before issuing the patent, the "degree by which it is weakened depends on a balancing of the pertinence of the newly cited art with the pertinence of the art considered by the Patent Office." *Tee-Pak, Inc. v. St. Regis Paper Company*, 491 F.2d 1193, 1196 (6th Cir. 1974).

We now consider the various alleged claims of invalidity in light of these principles.

A. *Obviousness*

NBS contends that claim 7 of the '120 patent was "obvious" in light of prior art patents '800 and '725. The obviousness bar appears in 35 U.S.C. § 103:

> A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

The Supreme Court has set out standards for applying section 103 in *Graham v. John Deere Co.*, 383 U.S. at 17:

> Under § 103, the scope and content of the prior art are to be determined; differences between the prior

> art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.

This court has consistently followed the guidelines. *See, e.g., Dickey-John Corp. v. International Tapetronics Corp.*, 710 F.2d 329 (7th Cir. 1983); *Novo Industri A/S v. Travenol Laboratories, Inc.*, 677 F.2d 1202, 1206 (7th Cir. 1982); *Dual Mfg. & Engineering v. Burris Industries*, 619 F.2d 660, 666 (7th Cir. 1980).

The district court similarly followed the *Graham* guidelines. First, the court determined the scope and content of the prior art patents:

> The patents referred to by [NBS's expert] VanDer Linden include Nos. 1,280,192; 1,941,667; 2,775,936; 3,018,725; 3,113,615; 3,340,800. All but one of these patents discloses either a single platen roller operating in a single stroke method, tandum [sic] platen rollers operating in a single stroke method, or two platen rollers operating in a single stroke, idling return method. The '800 patent discloses a two platen roller, multiple stroke imprinter.

Second, the court noted the differences between the prior art and the claims at issue:

> While certain elements of Claim 7 of the '120 patent were disclosed in the prior art, the prior art combines none of these elements to produce the result which makes the '120 patent distinctive: selective imprinting by two platen rollers on opposite strokes.

546 F.Supp. at 352.

Finally, although the district court made no specific finding of the contemporaneous level of skill in the pertinent art, it is clear from the several references to that guideline in the court's opinion that it resolved the level of ordinary skill in the art based on the expert testimony

and the prior art itself. Moreover, at least one expert testified that "[m]y designers would have had a very bad time" simply combining the prior art to produce the disputed invention. We are satisfied, therefore, that the district court followed the approved procedure in its analysis of the obviousness issue.

The obviousness issue presents a very close question in this case. Despite its conclusion that "Claim 7 of the '120 patent would not have been obvious to one reasonably skilled in the art at the time the invention was made," the district court observed that the '800 patent is the "closest" prior art. It discloses a two roller machine for selectively imprinting in four strokes: the first roller on the first stroke; an idling return stroke; then the second roller on the third stroke; and an idling return fourth stroke. It is distinguished from the '120 patent principally because it does not imprint in both directions, requiring only two strokes. In light of the '800 patent, it would seem a logical improvement, if not an obvious one, to have designed a machine to imprint on opposite strokes.[4]

We are persuaded, however, that the district court reached the right conclusion for two reasons. First, we are aware that a finding of obviousness might be the product of impermissible hindsight, reached without a precise appreciation of the contemporaneous level of skill in the art. See *Walt Disney Productions v. Fred A. Niles Communications Center, Inc.*, 369 F.2d 230, 234 (7th Cir. 1966). Second, as Justice Stevens concluded in a similar case while a member of this court:

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[4] The NBS expert testified that it would have been "very, very obvious" to combine the prior art to produce the device disclosed in the '120 patent. As we noted in *Dual Mfg. & Engineering v. Burris Industries*, 619 F.2d at 666 n. 4, however, "we cannot treat the witness as testifying as an expert witness on a disputed factual matter for he was giving an opinion on the ultimate legal question for decision, that of obviousness."

> [A]s we read the transcript of the testimony in this case, we are impressed with the importance of having live witnesses, subject to cross-examination, explain the operation of physical exhibits in a way which enables a district judge to understand what is before him and to interrupt with proper questions when he does not understand. . . . The trial judge really is in a better position to evaluate the obviousness issue than we are. . . . In this court it is appellant's burden to persuade us that an intelligent district judge, who has demonstrated a thorough understanding of the relevant art, committed an error requiring reversal.

Chicago Rawhide Mfg. Co. v. Crane Packing Co., 523 F.2d at 460. In this case the district court's opportunity to base its conclusions on live testimony is critically important. In its discussion of the obviousness issue, the district court made several important credibility assessments, specifically crediting the testimony of AM's expert and rejecting that of NBS's expert.[5] Because we are

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[5] The testimony on which the district court relied consists of the following exchange during the rebuttal testimony of John A. Maul, AM's sole expert witness, who for 22 years had worked as AM's engineer designing and developing imprinters:

> Q. Now, during NBS' defensive case, Mr. VanDerLinden expressed his opinion that the subject matter of Claim 7 of the Johnson patent was obvious based on the '192 Duncan Patent, the '667 Eley Patent, the '863 Hueber Patent, the '936 Curtis Patent, the '725 Maul Patent, the '516 Johnson Patent, and the '800 Gruver Patent. Do you agree with his position or opinion?
>
> A. No, I do not.
>
> Q. What is your opinion?
>
> A. I find that there is no teaching how to put all of these elements together and come up with the Johnson.
>
> Q. You mean the Johnson method as set in Claim 7?
>
> A. Yes.
>
> Q. Are these patents considered collectively deficient in any respect relative to Claim 7 of Johnson?
>
> A. These patents considered collectively have no common basis where one of the roller platens prints on the left right stroke and the other prints on the right to left stroke.

unable to make these credibility assessments, we agree that "[t]he trial judge really is in a better position to evaluate the obviousness issue than we are," notwithstanding that the issue is a legal question freely reviewable by this court. Here, the district court credited "defendants' expert testimony" and rejected "plaintiffs' expert testimony. Based on the prior art and the expert testimony," the court found "Claim 7 of the '120 patent would not have been obvious to one reasonably skilled in the art at the time the invention was made." 546 F.Supp. at 352-53. There is substantial evidence to support the court's findings of fact, and NBS has not convinced us that the trial judge made an error of law in holding claim 7 "nonobvious".

B. *Anticipation*

As the district court observed, "[a]nticipation is a strictly technical defense." *Id.* at 350 (citing *Illinois Tool Works, Inc. v. Sweetheart Plastics, Inc.*, 436 F.2d 1180, 1182-83 (7th Cir.), *cert. denied*, 403 U.S. 942 (1971)). The defense of anticipation derives from the requirements for novelty found in 35 U.S.C. § 102(a):

> A person shall be entitled to a patent unless—
>
> (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent. . . .

In *Saunders v. Air-Flo Co.*, 646 F.2d 1201 1203 (7th Cir. 1981), this court described the strict standards for anticipation under section 102(a):

> "A previous patent . . . anticipates a purported invention only where, except for insubstantial differences, it contains all of the same elements operating in the same fashion to perform an identical function."

(quoting *Popeil Bros., Inc. v. Schick Electric, Inc.*, 494 F.2d 162, 164 (7th Cir. 1974)).

NBS contends, and the Patent Office concluded, that the Cox Patent No. 539,356 "fully anticipated" claim 7 of the '120 patent. The district court found that the Cox patent "discloses a printing press and not a table-top imprinter as embodied in Claim 7. . . . Although the Cox Patent 539,356 discloses two rollers capable of printing in opposite directions," the court concluded, ". . . identification of the device embodied in the Cox patent as a printing press supports this court's conclusion that there is no identity of function between the two patents, and therefore no anticipation." 546 F.Supp. at 350. NBS principally contends that the differing embodiment of the Cox invention is "inconsequential" and furthermore is encompassed by Claim 7 which "does not exclude the practice of its 'method' with a 'printing press' nor limit such practice to a 'table-top imprinter'."

We think appellant erroneously minimizes the distinction drawn by the district court between the Cox printing press and the table-top imprinter. It is clear from the testimony of both parties' experts that the Cox device was intended for *printing* an ink impression on a single sheet of paper rather than *imprinting* from embossed plates to a carbon form set. The same testimony discloses that the rotation of the rollers on the Cox device differed from those in the imprinter and that the "bed" of the printing press moved during the printing process in contrast to the stationary bed of the imprinter.[6] The district court cited

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[6] Roy VanDerLinder, appellant's expert, was cross-examined concerning the Cox patent as follows:

> Q. Is there any such formset disclosed in the Cox patent?
>
> A. I believe it is a piece of paper in the Cox patent.
>
> Q. It is not a formset, is that right, sir?
>
> A. That's correct.
>
> Q. Then is it also correct that the Cox patent does not disclose the method set forth in Claim 7 of the Johnson patent and does not disclose the method which I have just recited in my previous question?

[Continued]

this testimony in its opinion and plainly relied on the foregoing differences between the two patents when it distinguished the Cox device as a "printing press." Considering this distinction, we can not conclude that the Cox patent "contains all of the same elements operating in the same fashion to perform an identical function" to the '120 patent. See *Saunder v. Air-Flo Co.*, 646 F.2d at 1203. The district court correctly held that "there is no identity of function between the two patents, and therefore no anticipation."

---

[6] [Continued]

A. Yes.

. . . .

Q. And looking at Figure 1, does it disclose a printing press?

A. Yes.

Q. In the Cox Patent is there a disclosure of a single sheet of paper as contrasted to a formset as we have just been discussing?

A. Yes.

Q. In the Cox Patent is it a fact that a single sheet of paper is printed on both sides as contrasted to imprinting one side of a formset?

A. Yes.

Q. In the Cox Patent is it true that both the rollers and the bed are moving, namely, the rollers are moving in one direction and the bed moves in an opposite direction during all printing activity?

A. Yes.

Q. Is it true that in the Cox patent that during all the printing activities each of the rollers rotates in opposite directions as indicated by the arrows within the drawings? I'm referring now to Figure—

A. Yes.

On redirect, VanDerLinden was asked whether he found "any reason to criticize" NBS's contention that the Cox patent anticipated the '120 patent. The generality of the question and his answer, "No, I do not," did little to mitigate the damage of the cross-examination or to enhance his credibility. The district court justifiably relied heavily on the cross-examination testimony.

D. *"On Sale" Bar*

NBS argues that claim 7 of the '120 patent is invalid because the invention it disclosed was "on sale" more than one year before the date of the patent application. Title 35 U.S.C. § 102(b) provides in part:

> A person shall be entitled to a patent unless—
>
> (b) the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States. . . .

We have held that " '[o]n sale' does not mean an actual accomplished sale but activity by the inventor or his company in attempting to sell the patented idea." *Amphenol Corp. v. General Time Corp.*, 397 F.2d 431, 433 (7th Cir. 1968) (quoted in *Red Cross Mfg. v. Toro Sales Co.*, 525 F.2d 1135, 1139 (7th Cir. 1975)). In *Red Cross* we also allocated the proper burden of proof between the parties:

> When objection is asserted, the burden of establishing that the patented product was "on sale" before the critical date is on the objector. This burden must be satisfied by clear and convincing evidence. Once such activity has been successfully established, invalidity may be avoided by showing that the sales activity was "substantially for purposes of experiment." The burden of proving experimental purpose rests with the inventor and must be met with "full, unequivocal, and convincing" evidence.

525 F.2d at 1139-40 (citations omitted). Finally, the Federal Circuit recently reviewed the proper test for determining whether an activity was experimental. See *TP Laboratories v. Professional Positioners, Inc.*, 724 F.2d 965 (Fed. Cir. 1984). The court quoted at length from *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1877) where the Supreme Court stated the following general rule:

> It is not public knowledge of his invention that precludes the inventor from obtaining a patent for it, but a public use or sale of it.

Id. at 136. The Supreme Court then set out the following general guidelines for applying the on sale provision:

> When the subject of invention is a machine, it may be tested and tried in a building, either with or without closed doors. In either case, such use is not a public use, within the meaning of the statute, so long as the inventor is engaged, in good faith, in testing its operation. He may see cause to alter it and improve it or not. . . . So long as he does not voluntarily allow others to make and use it, and so long as it is not on sale for general use, he keeps the invention under his own control, and does not lose his title to a patent.

Id. at 135.

In this case, the '120 patent application was filed on October 22, 1964. October 22, 1963, therefore, is the critical date before which the invention could not be on sale. The dispute here resolves into a single question: was there clear and convincing evidence of "activity by the inventor or his company in attempting to sell the patented idea"? While the record on appeal again presents a close question, we agree with the district court's conclusion that "plaintiffs have not satisfied their burden of proving commercial activity of any kind with the requisite intention to exploit the '120 invention." 546 F.Supp. at 354.

Four essential facts are undisputed: (1) in June of 1962 the American Association of Railroads (AAR) placed an order with AM for certain imprinters, without specifying imprinters embodying the '120 invention; (2) in August of 1963 the '120 invention was still being tested by AM engineers; (3) testing was largely completed when the product was released for factory production on September 28, 1963;[7] (4) the first actual sale of the machines

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[7] The district court also found that "there is no evidence conclusive on whether the designed device was reduced to practice and was capable of being produced." The testimony of AM's expert, however, establishes that the imprinter had been thoroughly

to customers occurred sometime in late April or early May, 1964. There is also evidence that prior to October 22, 1963 AM had tentatively assigned at least a wholesale price to the imprinters. Absent from the record, however, is any evidence that AM disclosed to AAR the '120 invention or an imprinter embodying it. Before October 22 there is no evidence that AM even mentioned the model of imprinters it intended to ship to AAR. In sum, the evidence suggests an unusual circumstance where AM did not offer or attempt to sell its invention prior to October 22, 1963 because it already had an existing general order for imprinters. Evidence of AM's unilateral decision to fill the order with imprinters embodying the '120 invention is insufficient to establish an attempt to sell without some evidence of relevant communications with the customer. See *Red Cross Mfg. Corp. v. Toro Sales Co.* 525 F.2d 1135, 1140-41 (7th Cir. 1975) (device displayed to potential customer); *Dart Industries v. E.I. DuPont De Nemours & Co.*, 489 F.2d 1359, 1363 (7th Cir. 1973), *cert. denied*, 417 U.S. 933 (1974) (device demonstrated to numerous customers); *Amphenol Corp. v. General Time Corp.*, 397 F.2d 431, 436 (7th Cir. 1968) (device was "placed 'on sale' by submitting a sample with a quoted price to the customer"). It is well established that "mere existence of a sales contract is insufficient to establish a placing 'on sale'." *Hobbs v. A.E.C.*, 451 F.2d 849, 859 (5th Cir. 1971); see also *Application of Dybel*, 524 F.2d 1393, 1400 (C.C.P.A. 1975) (executory contract for sale insufficient where there was no evidence that purchaser knew how invention would perform).[8]

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tested and found operable prior to its release for factory production. This is all that is required to show reduction to practice. See *CTS Corp. v. Piher Int'l Corp.*, 593 F.2d 777, 779 (7th Cir. 1979). Despite this clearly erroneous finding, the record provides sufficient ground for affirming the district court's ultimate conclusion that the invention was not on sale.

[8] We do not hold that the purchaser must have actual knowledge of the invention for it to be on sale. See *Application of Blaisdell*, 242 F.2d 779, 783 (C.C.P.A. 1957). We merely state the obvious

VI. *Infringement—Doctrine of Equivalents*

The district court found that "the NBS accused imprinters do not 'fall clearly within the claim,' and there is no literal infringement" of the '120 patent. The court then applied the doctrine of equivalents and held that "the NBS imprinters are 'the structual equivalent of the device described in' Claim 7 of the '120 patent, and 'perform . . . substantially the same function, in substantially the same way, to achieve the same results, even though . . . [they] differ . . . in form or shape.'" Based on this finding, the district court found that the NBS imprinters infringed the '120 patent. 546 F.Supp. at 349. NBS attacks this finding as "rooted in a misconception of law" which led the district court to erroneously confine its inquiry to the language of claim 7. We disagree with appellants' characterization of the record and find no "misconception of law" on the part of the district court.

The Supreme Court described the theory of the doctrine of equivalents in *Machine Co. v. Murphy*, 97 U.S. 120, 125 (1878): "if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form, or shape." (quoted and approved in *Graver Mfg. Co. v. Linde Co.*, 339 U.S. 605, 608 (1950)). In *Graver Mfg. Co. v. Linde Co.* the Court also made it clear that:

> A finding of equivalence is a determination of fact. Proof can be made in any form: through testimony of experts or others versed in the technology; by documents, including texts and treatises; and, of course, by the disclosures of the prior art. Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and

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requirement that to place an invention on sale a manufacturer ordinarily must have some communication with its customers regarding sale of the invention or the device that embodies it.

> that court's decision, under general principles of appellate review, should not be disturbed unless clearly erroneous.

339 U.S. at 609-10. Finally the Court listed several factors that could influence a determination of equivalence:

> Consideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients, and the function which it is intended to perform. An important factor is whether persons reasonably skilled in the art would have known of the interchangeability of an ingredient not contained in the patent with one that was.

Id. at 609.

The district court correctly followed the foregoing guidelines in applying the doctrine of equivalents. The court did limit its inquiry with respect to determining literal infringement, but its finding of equivalence is properly based on expert testimony regarding the interchangeability of the "printing device" disclosed in claim 7 and the two embossed plates used in the NBS imprinters. The NBS imprinters print from one plate on the first stroke and a second plate on the return stroke. NBS argues that claim 7 is limited to imprinting "from different portions of the same embossed printing device" on opposite strokes. The court, however, specifically credited the testimony of AM's expert that "at the time the '120 invention was developed, up to the present, the imprinting art has used printing device to mean a credit card and station plate either separately or in combination." Thus, it is clear that claim 7 encompasses the variation practiced by NBS.[9] The district court, then, correctly held

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[9] The Federal Circuit has noted that "an invention representing only a modest advance over the prior art is given a more restricted (narrower range) application of the doctrine [of equiva-

that, despite minor variations, the NBS imprinters performed the same function and achieved the same results as the invention disclosed in claim 7.

VII. *Attorneys' Fees and Costs*

The district court denied the NBS request for attorneys' fees and costs attributable to the two patents found invalid. The court held that, "despite the weight of the prior art, the issues of patent validity and infringement are sufficiently debatable to counsel against an award of treble damages and attorneys' fees to plaintiffs under 15 U.S.C. § 285." 546 F.Supp. at 364. The court repeatedly stressed the "closeness" of the case, noting "that at any time the validity and infringement of the three patents was 'open to honest doubt.' " NBS attacks this conclusion and argues principally that it is entitled to attorneys' fees because AM committed fraud on the Patent Office by violating its duty under 37 C.F.R. § 1.56 to disclose material prior art.

Under 35 U.S.C. § 285 the district court "in exceptional cases may award reasonable attorney fees to the prevailing party." We have consistently held that a refusal to award costs and fees under 35 U.S.C. § 285 will not be disturbed absent an abuse of discretion. See, *e.g.*, *Faulkner v. Baldwin Piano & Organ Co.*, 561 F.2d 677, 685 (7th Cir. 1977), *cert. denied*, 435 U.S. 905 (1978); *H. K. Porter Co. v. Black & Decker Mfg. Co.*, 518 F.2d at 1177, 1178-79 (7th Cir. 1975). Further, we have restricted awards under section 285 to "exceptional patent cases to prevent gross injustice where fraud and wrongdoing are clearly proved." *Faulkner v. Baldwin Piano & Organ Co.*,

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lents]." *Thomas & Betts Corp. v. Litton Systems, Inc.*, 720 F.2d 1572, 1580 (Fed. Cir. 1983). Granting that the '120 invention is a "modest advance over prior art," the question remains whether the NBS variations are "the same as, or an equivalent of, the improvement claimed by the patentee." *Id.* There was substantial evidence to support the district court's finding that the NBS imprinter was the equivalent of the '120 invention.

561 F.2d at 685. Finally, we note the well-established rule that "[f]raud must be proved by clear and convincing evidence, and the party asserting it carries a heavy burden." *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1114, 1151 (Fed. Cir. 1983). To support a finding of fraud, the court "must determine not only that the undisclosed art or information was material, but that the one charged with nondisclosure knew or should have known of its materiality at the time." *Id.* at 1153.

In its opinion the district court considered in detail each assertion of fraud and found that NBS had failed to satisfy its heavy burden of proving deliberate misrepresentations by "clear, unequivocal and convincing evidence." 546 F.Supp. at 354-55 (citing *United States v. American Bell Tel. Co.*, 167 U.S. 224, 251 (1897); *Scott Paper Co. v. Fort Howard Paper Co.*, 432 F.2d 1198, 1204 (7th Cir. 1970), *cert. denied*, 401 U.S. 913 (1971)). NBS fails to cite any part of the record to contradict this conclusion; particularly absent is evidence that AM knew or should have known of the materiality of the omitter prior art at the time of application. Under similar circumstances we have emphasized that "the district court was in the best possible position to assess attorneys' fees . . . if it deemed it suitable to do so." *Faulkner v. Baldwin Piano & Organ Co.*, 561 F.2d at 685. Because NBS has not convinced us that the district court abused its discretion by refusing to award fees, we will not disturb its decision.

VII. *Conclusion*

We conclude that the district court was not bound by the findings of the Patent Office in the reissue proceeding with respect to patent validity and that the court correctly found the facts and properly applied the law in holding that claim 7 of the patent '120 is valid. It is neither obvious under 35 U.S.C. § 103, nor anticipated under section 102(a), nor was it on sale under section 102(b) for more than a year before the original applica-

tion. We conclude further that the district court properly applied the doctrine of equivalents in finding that claim 7 was infringed by the NBS imprinter. The judgment of the district court is, therefore, affirmed and remanded for a determination of damages pursuant to the district court's order of September, 1982.[10]

AFFIRMED and REMANDED.

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[10] In its reply brief NBS argues cursorily that the district court erred in issuing an injunction against further infringement. It now appears this issue is moot in the absence of further proceedings in the Patent Office. The patent was issued on September 13, 1966 for a 17 year term pursuant to 35 U.S.C. § 154. The district court issued the injunction on September 13, 1982 but simultaneously stayed it pending this appeal. In the meantime, the patent expired on September 13, 1983 and "the right to make, the right to sell, and the right to use" the patented invention became "public property." *Brulotte v. Thys Co.*, 379 U.S. 29, 31 (1964).

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 80 C 4915

Hon. Nicholas J. Bua, Presiding

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs,

v.

AM INTERNATIONAL, INC.,
Defendant.

No. 81 C 6227

Hon. Nicholas J. Bua, Presiding

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs,

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants.

MEMORANDUM OPINION

Filed August 26, 1982

This is a declaratory judgment action seeking to have letters patent Nos. 3,272,120 ("120 patent"), 3,340,800

("800 patent"), and 3,763,777 ("777 patent") held invalid, unenforceable and/or not infringed by the manufacture and sale of NBS imprinter Models 710 and 750 and of NBS imprinter Models 305 and 2025. The defendants have counterclaimed alleging willful infringement of the same patents and imprinters. This action was tried to the Court between April 13, 1982 and April 28, 1982.

I. *General Description of the Patents*

The '120 patent discloses and claims a data recorder using a two platen roller, two stroke (forward-return) method for imprinting forms from embossed printing plates or cards, such as are used in credit transactions in department stores and gas stations and in finance institutions with bank cards. The data recorder disclosed in the '120 patent has a dual platen roller arranged on a double eccentric shaft constituting a platen assembly which allows for selective imprinting of characters from the embossed plates or cards. A first platen roller is lowered and imprints on the form the first portion of characters as it rolls along the embossed plate or card, which is on the bed of the data recorder, in a left-to-right stroke of the platen carriage, which houses the platen assembly and is operated by hand. The first platen roller is then raised and a second platen roller is lowered to imprint the remaining portion of the characters as it rolls along the embossed plate or card in a right-to-left return stroke.

The '800 patent discloses and claims a data recorder using a two-platen multiple (four) stroke method for selective imprinting of paper from an embossed printing device, such as is used in finance institutions for printing checks. The data recorder disclosed in the '800 patent has a dual platen roller arranged on a double eccentric shaft constituting a platen assembly which allows for high quality imprinting of MICR characters ("Machine Ink Character Recognition") when printing checks in accordance with American Bankers Association specifications

for E-13B magnetic code. A first platen roller is lowered and imprints only one row of characters, the MICR characters, and then is raised for an idling return stroke. The second platen roller is lowered and imprints other than the one row of characters imprinted by the first platen roller, and then is raised for an idling return stroke.

The '777 patent discloses and claims a two-platen roller, two stroke method for imprinting forms from embossed printing plates or cards, with independent means for adjusting the pressure applied by the two platen rollers. The data recorder disclosed in the '777 patent has two platen rollers mounted on separate shafts swinging independently, constituting a platen assembly which allows for selective imprinting of characters from a plastic credit card and a metal station or merchant plate. The first platen roller is lowered and imprints from the metal station or merchant plate in the right-to-left stroke. This data recorder allows for each platen roller to print with different pressure, which is desirable since one roller imprints from a plastic credit card and the second roller imprints from a metal plate.

Patent No. 3,272,120 entitled "Address Printing Machines with Roller Platens" was issued on September 13, 1966, from an application filed October 22, 1964. It is assigned to the Addressograph-Multigraph Company, predecessor (by change of name) to AM International ("AM") in the name of Dean W. Johnson. An application for reissue of the '120 patent was filed on April 27, 1978, which was to mature as reissue Patent No. 30,470. The Patent Office rejected the 30,470 reissue application and the continuation application, Serial No. 275,764, was finally rejected on April 6, 1982. The rejection has been appealed to the Board of Appeals, by a paper filed April 12, 1981.

Patent No. 3,340,800 entitled "Dual Roller Platens in Address Printing Machines" was issued on September 12,

1967, from a continuation application whose parent original application was filed April 25, 1963. It is assigned to Addressograph-Multigraph Company in the names of John H. Gruver, Dean W. Johnson, and Lyle W. Seifried.

Patent No. 3,763,777 entitled "Independently Adjustable Multiple Data Recorder" was issued on October 9, 1973, from an application filed November 17, 1971. It is assigned to Addressograph-Multigraph Company in the name of Albert C. Brown.

II. *The Parties, Jurisdiction and Venue*

The plaintiff, National Business Systems, Inc., a corporation of Ontario, Canada (NBS/Canada), has a principal office and place of business in Mississaugua, Ontario, Canada.

Plaintiff, National Business Systems, Inc., a Delaware corporation (NBS/U.S.), is a wholly-owned subsidiary of NBS/Canada, having a principal office and place of business in Elmsford, New York, and, in addition, a place of business in Elk Grove Village, Illinois.

Plaintiff, Heinrich Marketing Inc., is a Colorado corporation, having a place of business in Arvada, Colorado. Plaintiff George Heinrich is an individual residing in Arvada, Colorado, and is the sole owner of plaintiff Heinrich Marketing, Inc.

The defendant, AM International, Inc., is a Delaware corporation, having a principal place of business in Chicago, Illinois.

Defendant, Bartizan Corporation, is a New York corporation, having a principal place of business in Yonkers, New York, and is doing business within this judicial district.

Defendant, Lewis Hoff, is the president of the defendant Bartizan Corporation, residing in New York, New York.

Jurisdiction exists by virtue of 28 U.S.C. § 1338(a) and 35 U.S.C. § 281, and venue is proper in this judicial district under 28 U.S.C. § 1391(c).

III. *Accused NBS Imprinters*

The following facts are undisputed regarding the accused NBS imprinter Models 710, 750, 305, and 2025:

1. Each of the accused models has two platen rollers.

2. The dimensions, including the width, of each of the two platen rollers in the accused models are substantially identical.

3. On the left-to-right stroke, the first platen roller of the accused models imprints all of the lines of embossing from a plastic credit card.

4. Most plastic credit cards have at least three lines of embossed characters, only one line of which is in a machine readable font.

5. On a return right-to-left stroke, the second platen roller of the accused models imprints all of the lines of embossing from a metal merchant plate.

IV. *'120 Patent Infringement*

Plaintiffs contend that the '120 patent is not infringed by NBS accused imprinters under either A) literal infringement or B) the doctrine of equivalents.

A. *'120—Literal Infringement*

Plaintiffs argue no literal infringement by pointing out that the accused NBS imprinters have platen rollers of substantially the same width, whereas the drawings in the '120 patent show one narrow platen and one wide platen in an assembly designed to selectively imprint MICR characters, as specifically described in the specifications of the '120 patent. Plaintiffs also argue, according to the undisputed facts, that accused NBS imprinters use

two embossed printing devices, namely a credit card and a metal merchant plate, while Claim 7 of the '120 patent describes a singular embossed printing device.

Defendants contend that plaintiffs suggest an improper reading of the '120 patent's Claim 7, which defendants argue describes a device which can print more than one line of MICR characters with one of the platen rollers, and the claim mentions nothing about the width of the rollers in the two platen roller assembly. In addition, defendants point out that the reference to MICR characters in the specification explicitly mentions other types of machine readable characters. Through their expert witness, John A. Maul, defendants also argue that embossed printing "device" is used interchangeably with "devices" (R 1472-73) and in the alternative such description does not limit the operation or adaptability of the machine described in Claim 7.

Plaintiffs' argument is based on their assertion that this Court must read the language of the claim in light of the specification and the file wrapper, *Graham v. John Deere Co.*, 383 U.S. 1, 33 (1966); *United States v. Adams*, 383 U.S. 39, 48-49 (1966). This argument is erroneous in the context of this case. The approach suggested by plaintiffs is proper to define the scope of the patent only when the claim itself is ambiguous. *Deere & Co. v. International Harvester Co.*, 658 F.2d 1137, 1141 (7th Cir. 1981). Since there is no ambiguity on the face of Claim 7 of the '120 patent, defendants correctly argue that the Court is to read the claim alone as the measure of the invention. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 339 (1965); *Laser Alignment, Inc., et al. v. Woodruff & Sons, Inc., et al.*, 491 F.2d 866, 872 (7th Cir. 1974), *cert. denied*, 419 U.S. 874, (1974).

Claim 7 of the '120 patent read alone defines the platen roller assembly in the accused NBS imprinters and is infringed with respect to the platen assembly. But, since Claim 7 describes printing portions of the same printing

device and the accused NBS imprinters imprint off two printing devices, a credit card and a metal plate, the NBS accused devices do not "fall clearly within the claim," and there is no literal infringement. *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 607 (1950).

B. *Doctrine of Equivalents*

Plaintiffs next argue that there can be no infringement under the doctrine of equivalents since the accused NBS imprinters print the entirety of a credit card on one stroke and entirety of the metal merchant plate on the second return stroke. According to plaintiffs' expert witness, Roy VanDerLinden, their platen roller assembly does not need to selectively imprint portions of the same printing device because it imprints OCR (Optical Character Recognition) characters which do not require selective imprinting to produce the high quality of impression necessary for MICR characters (R 1009). Through Van DerLinden's testimony (R 1028) and the testimony of plaintiffs' other expert witness, David J. Williamowsky (R 1265), plaintiffs argue that the accused NBS imprinters: 1) do not use the invention embodied in Claim 7 of the '120 patent, 2) are not used for the same purpose as a device described in the '120 patent, and 3) do not achieve the same result as the '120 patent device.

Defendants contend that the accused NBS imprinters have an identity of means, operation and result with the invention claimed in Claim 7 of the '120 patent, and that it is of no importance to the issue of infringement of the '120 patent invention whether embossed information is imprinted from one or more plates. Defendants also argue that the '120 patent invention applies to OCR as well as MICR characters and that it benefits the imprinting of both OCR and MICR characters.

The doctrine of equivalents is based on the premise that, in order to find infringement it is not necessary that all

possible embodiments of the invention be described or illustrated in the patent claim. Thus, infringement is not avoided where the alleged infringer varies the apparatus described in the specification or illustrated in the drawings. *United States v. Adams*, 383 U.S. at 49. *Ellipse Corp. v. Ford Motor Co.*, 452 F.2d 163, 167 (7th Cir. 1971), *cert. den.* 406 U.S. 948, *reh. den.* 409 U.S. 898 (1972), *Toro Co. v. R.L. Nelson Corp.*, 524 F.Supp. 586, 590 (C.D. Ill. 1981). The policy behind the doctrine of equivalents is the foundation on which a patent's protection and value rest. As the Supreme Court has stated, ". . . [T]o permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing." *Graver Mfg. Co. v. Linde Co.*, 339 U.S. at 607.

Both Maul and VanDerLinden agree that the invention disclosed in Claim 7 of the '120 patent refers to the refinement of a two platen roller method of selective imprinting to a two stroke (forward-return) movement. According to Maul's testimon,y the adaptation of the '120 invention to a data recorder having two printing devices does not sufficiently vary the identity and means of the '120 invention to avoid infringement by equivalents (R 534). Maul further testified that, at the time the '120 invention was developed, up to the present, the imprinting art has used printing device to mean a credit card and station plate either separately or in combination (R 1472-73). Plaintiffs' experts offered no contrary evidence to Maul's testimony on the meaning of "printing device" in the imprinting art. Additionally, Willamowsky's direct testimony that an embossed printing device means only one plate (R 1266) is contradicted by his cross-examination testimony, in which he admitted that the device in the '120 patent drawings could print from two printing devices together, namely a credit card and a station plate (R 1348).

The difference between the "literal detail" of the singular embossed printing device in Claim 7 and the two printing devices in the accused NBS imprinters is merely one of claim phraseology. Such a comparison does not address the question if identity of means, operation and result which is necessary in determining infringement by equivalents. *Reese v. Elkhart Welding and Boiler Works, Inc.*, 447 F.2d 517, 527 (7th Cir. 1971); *Skirow v. Roberts Colonial House, Inc.*, 361 F.2d 388, 391 (7th Cir. 1966). The Court rejects plaintiffs' expert testimony, and accepts defendants' expert testimony to the effect that the NBS imprinters are "the structural equivalent of the device described in" Claim 7 of the '120 patent, and "perform . . . substantially the same function, in substantially the same way, to achieve the same results, even though . . . [they] differ . . . in form or shape." *Machine Co. v. Murphy*, 97 U.S. 120, 125 (1878); *Reese v. Elkhart Welding*, 447 F.2d at 527. Defendants have carried their burden of proof as to infringement.

V. *'120 Patent Validity*

Plaintiffs attack the validity of the '120 patent on five grounds. They assert that the patent is: A) invalid for anticipation under 35 U.S.C. § 102, B) invalid for obviousness under 35 U.S.C. § 103, C) unenforceable under 35 U.S.C. §§ 112, 115, 116, D) invalid for "on sale" bar under 35 U.S.C. § 102(b) and, E) unenforceable for fraud on the Patent Office under 37 C.F.R. § 1.56. Defendants assert that the '120 patent is valid. Plaintiffs bear the burden of proving invalidity and must overcome by clear and convincing proof the presumption of validity established by 35 U.S.C. § 282. *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d at 871; *Ashland Oil, Inc., v. Delta Oil Products Corp.*, 212 USPQ 508, 513 (E.D. Wisc. 1981).

A. *'120 Anticipation*

The Patent Office rejected Claim 7 on the reissue application for the '120 patent as fully anticipated by the Cox

Patent 539,356. Plaintiffs' expert VanDerLinden found no reason to criticize the Patent Office's rejection of Claim 7. (R 1211). Nevertheless, VanDerLinden was unable to identify any single patent with a filing date or a publication dated prior to October 22, 1963 (one year prior to the filing date of the '120 patent) that discloses each and every element or aspect of the method defined by Claim 7 of the '120 patent (R 1146-47, 1150). In fact, VanDer Linden's cross-examination testimony indicates that the Cox Patent 539,356 discloses a printing press and not a table-top imprinter as embodied in Claim 7.

Despite VanDerLinden's testimony, plaintiffs argue that defendants are bound by the Patent Office determination of Claim's 7 invalidity, that their only recourse is to the Court of Customs and Patent Appeals (35 U.S.C. § 141) or the Circuit Court for the District of Columbia (35 U.S.C. § 145), and that this Court has no authority to disturb the Patent Office determination. Defendants argue that the Patent Office determination is not binding, and assert that VanDerLinden's testimony compels this Court to make its own finding of validity.

Anticipation is a strictly technical defense. Unless all of the same elements are found in exactly the same situation and united in the same way to perform an identical function, there is no anticipation. 35 U.S.C. § 102 (1976). *Illinois Tool Works, Inc. v. Sweetheart Plastics, Inc.*, 436 F.2d 1180, 1182-1183 (7th Cir. 1971), *cert. denied* 403 U.S. 942 (1971); *Shelco, Inc. v. Dow Chemical Co.*, 466 F.2d 613, 614 (7th Cir. 1972), *cert. denied*, 409 U.S. 876 (1972). Although the Cox Patent 539,356 discloses two rollers capable of printing in opposite directions, Van DerLinden's identification of the device embodied in the Cox patent as a printing press supports this Court's conclusion that there is no identity of function between the two patents, and therefore no anticipation. This is so even though the elements considered by themselves might resemble the elements in the imprinter disclosed by Claim

7 of the '120 patent. *Sargent-Welch Scientific Co. v. J/B Industries*, 496 F. Supp. 972, 976 (N.D. Ill. 1980).

Plaintiffs argue that the Court is bound by the Patent Office's finding of anticipation in the reissue application proceedings for the '120 patent. This Court disagrees for two reasons. First, once a patent of invention has been granted, the Patent Office has no authority to invalidate the claims of the original patent in subsequent reissue proceedings. The Patent and Trademark Office does not regain power over the original patent's validity when a reissue patent is applied for. When a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has had affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other officer of the Government. *United States v. Schurz*, 102 U.S. 378 (1880), *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 363 (1888). "The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent." *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606, 609 (1898); *Johnson & Johnson v. Wallace A. Erickson & Co.*, 627 F.2d 57, 59 (7th Cir. 1980).

A second reason the Court is not bound by the Patent Office's findings is the fact that the time for surrendering an original patent in reissue proceedings occurs when the reissue patent is granted. There is no surrender of the original patent if the reissue patent is rejected. Rather, the original patent stands as if no application had ever been made for a reissue. *Allen v. Culp*, 166 U.S. 501, 505 (1897); *U.S. v. Marifarms, Inc.*, 345 F. Supp. 858, 861 (D. Del. 1972). It is true that the reissue statute as well as the Patent Office Rules require surrender of the original patent before a reissue

patent may be granted, 35 U.S.C. § 251; Rule 171, 37 C.F.R. § 1.171. However, 35 U.S.C. § 252, entitled "Effect of Reissue," specifically states that the surrender of the original patent does not take effect until the issuance of the reissue patent. *American Tel. & Tel. Co. v. Milgo Electronic Corp.*, 416 F. Supp. 951 (S.D.N.Y. 1976).[1]

Plaintiffs have not satisfied their burden of clear and convincing proof as to anticipation of Claim 7 of the '120 patent. Therefore, this Court finds that the '120 patent was not anticipated.

B. *'120 Obviousness*

The appropriate analysis for a determination of obviousness has been described by the Supreme Court as follows:

> "Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or non-obviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented."

Graham v. John Deere Co., 383 U.S. at 17-18.

Plaintiffs argue obviousness on two grounds, neither of which is accepted by the Court. First, according to plaintiffs' expert VanDerLinden, it would have been "very,

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[1] For the same reasons that this Court does not accept plaintiffs' claim that the Court is bound by the Patent Office's rejection of the reissue application for the '120 patent, the Court refuses to accept plaintiffs' theory that the Patent Office's findings create a presumption of invalidity as to Claim 7 of the '120 patent.

very obvious" to substitute the double eccentric platen roller in the prior art '800 patent (the same one that is in issue in this action, p. 20, *infra.*) into the data recorder embodied in the prior art Patent No. 3,018,725, which discloses one platen roller imprinting in a left-to-right stroke with an idling, raised return stroke (R 1210). VanDerLinden testified that such a combination of the '800 patent and the '725 patent would operate in the same way producing the same results as the '120 patent's Claim 7. Second, plaintiffs offered other prior art patents which they claimed would make the '120 invention obvious to a person of ordinary skill in the art.

Defendants' expert testified that his designers would have had "a very bad time" trying to substitute the '800 patent's double eccentric platen roller into the device disclosed in the '725 patent, and that he never thought of making such a substitution at the time.

This Court begins with plaintiffs' first ground for obviousness: the combination of the '800 and '725 patents. Obviousness under 35 U.S.C. § 103 is to be determined "as of the time the invention was made." Both parties' experts, however, based their opinions of the obviousness of the '800/'725 combination on experience possessed as of the time of the trial. This speculation as to the '120 patent invention's similarity to a "particular combination of elements from prior patents" constituted an improper use of hindsight as a test of obviousness. *Holley v. Outboard Marine Corp.*, 241 F. Supp. 657, 665 (N.D. Ill. 1964), *aff'd.* 345 F.2d 351 (7th Cir. 1965), *cert. denied* 383 U.S. 934, *reh. denied* 384 U.S. 914, 1966); *Walt Disney Productions v. Fred A. Niles Com. Ctr., Inc.*, 369 F.2d 230, 234 (7th Cir. 1966). Because the experts' testimony was based on hindsight, it is not to be considered by this Court, and, as a result, the '120 patent retains its presumption of validity under 35 U.S.C. § 282. The strength of this presumption is weakened in this case, however, where, of the seven prior art patents presented

in plaintiffs' analysis of obviousness, only one (No. 2,104,863) was considered by the Patent Office. The presumption of validity does not exist against prior art which was not considered by the Patent Office when the patent was issued. *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 341, 342-343 (7th Cir. 1979).[2] Thus, the six prior art patents not considered by the Patent Office must be made a part of this Court's obviousness analysis.

As a result, the Court now turns to plaintiffs' second ground for obviousness: the other prior art patents.

Based on expert witness VanDerLinden's testimony, plaintiffs argue that Claim 7 of the '120 patent would have been obvious to a person of ordinary skill in the art at the time the invention was made. VanDerLinden based his conclusion of obviousness on a "combination of the teachings of all those patents." (R 1173). The patents referred to by VanDerLinden include Nos. 1,280,192; 1,941,667; 2,775,936; 3,018,725; 3,113,516; 3,340,800. All but one of these patents discloses either a single platen roller operating in a single stroke method, tandem platen rollers operating in a single stroke method, or two platen rollers operating in a single stroke, idling return method. The '800 patent discloses a two platen roller, multiple stroke imprinter.

Defendant expert Maul testified that these prior art patents provide no teaching for combining their various elements to yield a device using two platen rollers printing on opposite strokes from different portions of a printing device as set forth in Claim 7 of the '120 patent (R 1425). Defendants offer the cross-examination testi-

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[2] It is, of course, true that the presumption of validity is strengthened where the prior are relied on by the party claiming invalidity is the same as or no better than that considered and rejected by the Patent Office. *Tracor, Inc. v. Hewlett-Packard Co.*, 519 F.2d 1288, 1292 (7th Cir. 1975). That, however, is not this case.

mony of VanDerLinden, where, defendants claim, it was admitted that the '800 patent, which is the closest prior art patent, disclosed no teaching "of printing data with two rollers on opposite strokes." (R 1169).

It is well established in the Supreme Court and in the Seventh Circuit that a combination of prior art elements need not produce a synergistic effect in order for the combination patent to be valid. *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273, 282, *reh. den.* 426 U.S. 955 (1976), *Republic Industries, Inc. v. Schlage Lock Co.*, 592, F.2d 963, 969 (7th Cir. 1979). *Sakraida* and *Republic* reaffirm as the test of obviousness in combination patents the analysis set forth in *Graham v. John Deere, supra*, p. 12. Regarding combinations of prior art elements, the obviousness test of § 103 does not turn on whether an invention is equivalent to some element in the prior art, but rather whether the difference between the prior art and the subject matter in question is a difference sufficient to render the claimed subject matter unobvious to one skilled in the applicable art. *Dann v. Johnston*, 425 U.S. 219, 228 (1976).

While certain elements of Claim 7 of the '120 patent were disclosed in the prior art, the prior art combines none of these elements to produce the result which makes the '120 patent distinctive: selective imprinting by two platen rollers on opposite strokes. This Court credits defendants' expert testimony which found no teaching of the '120 invention and rejects plaintiffs' expert testimony. Based on the prior art and the expert testimony, this Court finds Claim 7 of the '120 patent would not have been obvious to one reasonably skilled in the art at the time the invention was made.[3]

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[3] In light of this Court's finding of unobviousness, it is unnecessary to address secondary considerations of commercial success, long felt need or failure of others. See John . . . . . .

C. *35 U.S.C. §§ 112, 115 and 116*

35 U.S.C. § 112 requires that in order to be valid, patent claims must particularly point out and distinctly claim the subject matter which the applicant regards as his invention. *Rockwell v. Midland-Ross Corporation*, 438 F.2d 645, 653 (7th Cir. 1971). The purposes for the precision requirements are to warn others skilled in the art against infringement, and to enable them to benefit from the teachings of the patent. *Ellipse Corp. v. Ford Motor Co.*, 452 F.2d at 170. Plaintiffs argue that Claim 7 of the '120 patent fails to meet this requirement. This Court disagrees.

Plaintiffs offered no testimony that Claim 7 of the '120 patent is not understandable to one of ordinary skill in the art. Rather than focusing on the precision of Claim 7, they merely assert that the patent's specifications disclose a narrower scope of invention than does defendants' interpretation of Claim 7 and that such inconsistent interpretation reveals defendants' failure to point out their invention. This argument misses the point of § 112. Therefore, it is insufficient to support a finding that the precision requirements of that statute have been violated, and to thus rebut the presumption of validity as to the Patent Office's findings. Furthermore, this Court finds that defendants' interpretation of Claim 7 of the '120 patent necessary to find infringement is not inconsistent with the scope of the subject matter which the defendants' inventors regard as their invention, and, therefore, that Claim 7 of the '120 patent does not particularly point out and distinctly claim the subject matter of the invention under 35 U.S.C. § 112. *Application of Cormany*, 476 F.2d 998, 1000 (CCPA 1973).[4]

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[4] It should be noted that, even if the Court were to find that the defendants' interpretation of Claim 7 were not sufficiently precise, a serious question would remain as to the appropriateness of applying § 112 in the manner suggested by plaintiff. Invalidity under § 112 is determined by the patentee's conduct when drawing up the

Finally, the Court notes that plaintiffs erroneously assert invalidity under 35 U.S.C. § 115 and 116 since the inventor's oath of the '120 patent is included in the file wrapper and no joint inventors were involved in the '120 patent.

E. *'120 "On Sale" Bar*

35 U.S.C. § 102(b) provides that a patent shall issue *unless* "the invention . . . was on sale in this country, more than one year prior to the date of the application for patent in the United States." "On sale" does not mean an actual accomplished sale but activity by the inventor or his company in attempting to sell the patented idea. *Amphenol Corp. v. General Time Corp.*, 397 F.2d 431, 433 (7th Cir. 1968). *Armour Research Foundation v. C. K. Williams & Co.*, 280 F.2d 499, 506 (7th Cir. 1960) *cert. denied* 365 U.S. 811, *reh. denied*, 366 U.S. 941 (1961). The policy underlying the "on sale" bar is to prevent an inventor from holding back the secrets of his invention from general public knowledge while at the same time exploiting it commercially, thereby extending the duration of his legal monopoly. *Koehring Co. v. National Automatice Tool Co.*, 362 F.2d 100, 103 (7th Cir. 1966). The burden of establishing that the patented product was "on sale" must be satisfied by clear and convincing evidence. *Minnesota Mining & Mfg. Co. v. Kent Industries, Inc.*, 409 F.2d 99, 100 (6th Cir. 1969).

Plaintiffs, relying on deposition testimony, argue that defendants' in-house production and pricing documents present a *prima facie* case of "on sale" bar because the documents clearly show a commercial exploitation of a product sufficiently similar if not identical, to the device disclosed in Claim 7 of the '120 patent. Plaintiffs rely

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patent claims and is not properly applied to the patentee's attempt at an alleged overly broad interpretation of a patent's claims. The latter is protected against by the doctrines of file wrapper estoppel and four corners interpretation of the claims and specifications of the patent.

chiefly on two of AM's in-house documents, a "Request For Estimate and Price Quotation," dated March 5, 1963 (PX-12A), and a "Request For Production Release," dated August 20, 1963 (PX-12K). In cases in which commercial exploitation has been established prior to the critical date (one year prior to the date of the application for patent), a necessary determination must be whether the item placed "on sale" sufficiently embodied the invention described in the patent in suit to invoke the bar of § 102(b). *Red Cross Mfg. Co. v. Toro Sales Co.*, 525 F.2d 1135, 1141 (7th Cir. 1975). Exact identity is not required as long as the invention is essentially completed at the time of the invalidating sale. *Dart Industries, Inc. v. E. I. DuPont DeNemours and Co.*, 489 F.2d 1359, 1365 (7th Cir. 1973) *cert. denied* 417 U.S. 933 (1974). While the basic design of the two platen roller imprinter capable of printing on opposite strokes is revealed in the defendants' production and pricing documents, there is no evidence conclusive on whether the designed device was reduced to practice and was capable of being produced. It is for this reason that plaintiffs' claim of on-sale bar is rejected.

Under § 102(b), plaintiffs must establish that the alleged commercial exploitation occurred before October 22, 1963. Defendants rebutted plaintiffs' case by producing testimony from expert Maul (R 1486-1500) and witness Wasson (R 1505-1515) to the effect that the device embodied in Claim 7 of the '120 patent was still in the experimental and developmental stage in the critical time period. Specifically, defendants point to testing reports dated January 10, 1963 and August 13, 1963 (PX-121 and PX-12J). Defendants also point to a report prepared by R. L. Root, AM's patent counsel who worked on the '120 patent application. (PX-12L). PX-12L discloses that the "first batch" of machines (devices embodied in Claim 7 of the '120 patent) had been shipped on an order for the Association of American Railroads.

The document was dated May 25, 1964. The documents demonstrate that modifications in the devices were being made during the relevant time period. This fact makes more onerous the burden of proving a reduction to practice, one of the requirements for "on sale" bar. *CTS Corp. v. Piher International Corp.*, 593 F.2d 777, 779 (7th Cir. 1979) *cert. denied* 444 U.S. 884 (1979). Plaintiffs have failed to carry their burden of clear and convincing proof that the alleged "on sale" devices were sufficiently complete and similar to the device embodied in Claim 7 of the '120 patent. While it is true that no completed sale is required, *Amphenol Corp. v. General Time Corp.*, 397 F.2d at 433, plaintiffs have not satisfied their burden of proving commercial activity of any kind with the requisite intention to exploit the '120 invention.

F. *'120 Fraud*

Plaintiffs claim that in procuring the '120 patent, defendants committed fraud on the Patent Office in that they 1) falsely attributed novelty to the dual-platen roller assembly in the '120 patent, 2) falsely attributed inventorship, and 3) failed to disclose to the Patent Office the prior art of the '800 patent (and addressing machine) and evidence of the alleged "on sale" bar. It is this Court's conclusion that these allegations are unsupported by either the law or the facts.

A claim of fraud or inequitable conduct in soliciting a patent must be based on "clear, unequivocal and convincing" evidence and can be asserted only if there has been a deliberate misrepresentation in the Patent Office. *United States v. American Bell Tel. Co.*, 167 U.S. 224, 251 (1897); *Scott Paper Co .v. Fort Howard Paper Co.*, 432 F.2d 1198, 1204 (7th Cir. 1970), *cert. denied* 401 U.S. 913 (1971). To provide fraud on the Patent Office, one must establish that the applicant knowingly and willfully concealed information from that office, that the information was not known to the Patent Examiner, and

that the information concealed was material. *Columbia Broadcasting System, Inc. v. Zenith Radio Corp.*, 391 F. Supp. 780, 791 (N.D. Ill. 1975) *affd.* 537 F.2d 896 (7th Cir. 1976); *Reynolds Metals Co. v. Aluminum Co. of America*, 457 F. Supp. 482, 500 (N.D. Ind. 1978), *rev'd on other grounds* 609 F.2d 1218 (7th Cir. 1979), *cert. denied* 446 U.S. 989 (1980). Plaintiff has failed to meet its burden of proof.

Plaintiffs' charge of false attribution of novelty is rejected in light of this Court's finding that Claim 7 of the '120 patent was non-obviousness. Similarly, plaintiffs' claim of false attribution of inventorship is rejected. The latter argument is conditioned on limiting the '120 invention to printing only one row of MICR characters. This Court has found, however, that the '120 invention should not be so limited. Additionally, palintiffs' charge of fraud for defendants' alleged failure to disclose prior art of the '800 patent and its corresponding addressing machine and of the prior art commercial Model TP addressing machine is rejected in light of this Court's finding that Claim 7 of the '120 patent is non-obvious. This finding is supported by the rule that it is a permissible exercise of patentee's judgment to withhold prior art on his belief that it would not affect the Examiner's evaluation of the pending application. *CTS Corp. v. Piher International Corp.*, 527 F.2d 95, 99-100 (7th Cir. 1975), *cert. denied* 424 U.S. 978 (1976).

Finally, plaintiffs' charge of fraud for failure to disclose evidence of the alleged "on sale" bar is rejected by this Court's finding that plaintiff failed to carry his burden of proving "on sale" bar.

VI. *'800 Patent Infringement*

Plaintiffs contend that the '800 patent is not infringed by NBS accused imprinters under either A) ilteral infringement or B) the doctrine of equivalents. This Court

concludes that the facts demonstrate neither literal infringement nor infringement by equivalents.

A. *'800 Literal Infringement*

Plaintiffs contend that no literal infringement of the '800 patent exists on three grounds. First, they point out that the accused NBS imprinters have platen rollers of substantially the same width, whereas Claim 12 of the '800 patent discloses one narrow platen roller to "roll along only said one row of characters, and a second platen roller dimensioned and aligned to roll along other than said one row of characters." Plaintiffs point out that the "said one row of characters" is described in Claim 12 as containing "a series of machine recognization characters requiring a high order of impression uniformity." Second, accused NBS imprinters do not have a platen roller which prints only one row of machine recognization characters. Third, Claim 12 of the '800 patent describes a singular embossed printing device.

Defendants contend that the device disclosed in Claim 12 of the '800 patent is capable of printing more than one row of characters, and also that embossed printing "device" is used interchangeably with "devices."

The disputed issue of the embossed printing device mentioned in Claim 12 of the '800 patent is identical to the issue of literal infringement regarding Claim 7 of the '120 patent. See p. 5, supra. The Court's conclusion is identical as well—the '800 patent, like the '120 patent, is not literally infringed by the NBS accused imprinters.

B. *Doctrine of Equivalents*

Like their argument regarding literal infringement, plaintiffs' argument against a finding of infringement under the doctrine of equivalents is the same as that made with regard to Claim 7 of the '120 patent. Through their experts, plaintiffs assert that the accused NBS im-

printers do not use the invention embodied in Claim 12 of the '800 patent, are not used for the same purpose as a device described in the '800 patent, and do not achieve the same result as the '800 patent. Finally, plaintiffs argue that defendants are estopped from arguing the doctrine of equivalents by the doctrine of file wrapper estoppel.

Defendants contend that the accused NBS imprinters have an identity of means, operation and result with the invention claimed in Claim 12 of the '800 patent, and that it is of no importance to the issue of infringement of the '800 patent invention whether embossed information is imprinted from one or more than one row of characters with one of the platen rollers, that it applies to OCR as well as MICR characters, and that it benefits the imprinting of both OCR and MICR characters.

While infringement is not avoided by varying the apparatus described in the specification or illustrated in the drawings of a patent, *United States v. Adams*, 383 U.S. at 49; *Ellipse Corp. v. Ford Motor Co.*, 452 F.2d at 167; *Toro Co. v. R. L. Nelson Corp.*, 524 F. Supp. at 590; infringement by equivalents requires a real identity of means, operation and result between the accused products and the allegedly infringed patent. *Reese v. Elkhart Welding*, 447 F.2d at 527; *Skirow v. Roberts Colonial House, Inc.*, 361 F.2d at 391. Defendants failed to demonstrate the requisite identity. In fact, defendants' expert Maul testified that he had never seen a device as disclosed in Claim 12 of the '800 patent print more than one row of characters with one of the platen rollers (R 713-14). Further, Maul was unable to point to any passage in the '800 patent specifications which supports his testimony that the phrase "along only said one row of characters" does not exclude rolling along other rows of characters at the same time (R 753).

Unlike defendants, plaintiffs provided expert testimony which fully supported their position. Plaintiffs' experts

testified that the accused NBS imprinters do not operate under the same function nor for the same purpose as the '800 invention. This Court found his testimony completely credible.

Additionally, plaintiffs correctly argue that defendants are estopped from arguing a function or purpose of Claim 12 of the '800 patent which is greater in scope than that which is claimed in the file wrapper of the '800 patent. Thus, even if their expert's testimony were credible, which this Court does not find, defendants would still be unable to invoke the doctrine of equivalents to its full extent.

Under the doctrine of "file wrapper estoppel", an applicant who has limited or modified a claim in order to avoid its rejection by the Patent Office may not later expand his claim by including the excluded matter, or its equivalents, or by omitting the limitations. *Ortho Pharmaceutical Corp. v. American Hospital Supply Corp.*, 534 F.2d 89, 94 (7th Cir. 1976); *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d at 875. Defendants are estopped from arguing that the function of the '800 invention may be interpreted as its ability to print more than one row of characters with one of the platen rollers. Defendants offer this interpretation to support their assertion that the purpose of the '800 invention is not solely to solve the problem of imprinting MICR characters. It must be noted, however, that defendants' expert Maul testified that the problem of imprinting MICR characters was solved by the '800 invention (R 739-40) and plaintiffs' expert Williamowsky testified that the MICR problem cannot be divorced from the invention disclosed in Claim 12 of the '800 patent (R 1262). This Court believes that the latter is a proper characterization of the file wrapper history of Claim 12 of the '800 patent. Thus, defendants' interpretation of the function and purpose of the '800 invention is rejected. Defendants' interpretation is tantamount to arguing infringe-

ment under a claim (Claim 27) which was rejected in the file wrapper history. This cannot be allowed. Claim 27 falls in the category of claims which have "been narrowed in order to obtain the issuance of a patent by distinguishing the prior art. [Such claims] cannot be sustained to cover that which was previously by limitation eliminated from the patent." *Graham v. John Deere Co.*, 383 U.S. at 33.

For the foregoing reasons, defendants have failed to carry their burden of proof as to infringement.

VII. *'800 Patent Validity*

Plaintiffs attack the validity of the '800 patent on five grounds. They argue that the patent is: A) invalid for obviousness, C) unenforceable under §§ 112, 115 and 116, D) invalid for "on sale" bar, and E) unenforceable for fraud on the Patent Office. Defendants assert that the '800 patent is valid.

A. *'800 Anticipation*

Plaintiffs' expert VanDerLinden found the method disclosed in Claim 12 of the '800 patent anticipated in each of the Patents Nos. 1,280,192; 2,758,538; and 3,125,951. However, VanDerLinden later testified that he was unable to identify any single patent with a filing date or a publication date prior to April 25, 1962 (one year prior to the filing date of the '800 patent) that discloses each and every element or aspect of the method defined by Claim 12 of the '800 patent (R 1180-81).

As has already been stated, p. 10, *supra.*, there is no anticipation unless all of the same elements are found in exactly the same situation and united in the same way to perform an identical function. *Illinois Tool Works, Inc. v. Sweetheart Plastics, Inc., supra*; *Shelco, Inc. v. Dow Chemical Co., supra.* The Lyman Patent No. 3,125,951, which embodies a device similar to the '800

invention, discloses a single segmented roller printing in a single stroke, constituting a platen assembly which fails to imprint with an impression quality as high as the '800 invention. The '192 patent and the '538 patent disclose devices not as similar to the '800 invention as the device disclosed in the '951 patent. In light of these facts and of expert VanDerLinden's contradicting testimony, this Court concludes that plaintiffs have failed to carry their burden of clear and convincing proof as to anticipation of Claim 12 of the '800 patent.

B. *'800 Obviousness*

According to plaintiffs' expert VanDerLinden, it would have been obvious to one of ordinary skill in the art to use independent strokes of two platen rollers, one of which would take an impression along one row of characters and the other along the remaining rows of characters (R 1087). It is uncontested that the '800 patent states that the difference between it and the Patent No. 2,379,849 lies in the '800 platen assembly, which rolls the platen parallel to, rather than perpendicular with, the characters and allows for selective imprinting of one row of MICR characters. Plaintiffs offer prior art Patents Nos. 1,280,192; 3,125,951; and 1,941,667 as teaching a combination of the '800 patent's elements in the method of Claim 12 of the '800 patent. The '192 patent discloses two platen rollers printing two single strokes in a forward-return movement parallel to the two separate printing devices. The '951 patent discloses selective imprinting of one row of MICR characters in a single stroke parallel movement by a narrow platen roller segmented from a wide platen roller on a single roller. The '667 patent discloses tandem platen rollers imprinting from either two separate printing devices or two different parts of the same printing device.

A finding of obviousness is appropriate when a Court is presented with inventions that merely rearrange old

elements in new combinations with each element performing the same function it performed in the prior art. Such a finding must be made even if the new combination produces a more striking result than the old elements would produce functioning individually. *St. Regis Paper Co. v. Bemis Co., Inc.*, 549 F.2d 833, 838 (7th Cir.) *cert. denied* 434 U.S. 833 (1977). While Claim 12 of the '800 patent discloses an improvement in imprinting MICR characters with high quality impression, the '800 invention uses an arrangement of elements disclosed in prior art patents, albeit in a different combination, to produce this improved result. In light of the rule that combination patents are to be found unpatentable if "wanting in any unusual or surprising consequences from the unification of the elements here concerned." *A&P Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 152 (1950) *reh. denied* 340 U.S. 918 (1951), this Court feels that the evidence compels it to hold that the '800 patent is invalid for obviousness.[5]

Additional support for this Court's finding of obviousness is provided by a detailed reading of the file wrapper for the '800 patent. The file wrapper history reveals that originally the Patent Office was reluctant to allow the claims of the '800 patent in light of the '951 patent. Defendants were able to persuade the office to grant the

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[5] Defendants contend that none of the prior art patents presented by plaintiffs teach the invention embodied in Claim 12 of the '800 patent of selectively imprinting one row of MICR characters from a single printing device in two separate strokes with two platen rollers. They point out that the '192 patent does not teach the imprinting of one row of characters with one platen roller in one stroke and the remaining characters with the other platen roller in a separate stroke from the same printing device. Additionally, the '951 patent utilized a single stroke rather than two separate strokes for imprinting one row of MICR characters, and finally, the '667 patent discloses tandem platen rollers as opposed to two platen rollers mounted on a double eccentric shaft. Despite these distinctions, the combined teachings of prior art Patents Nos. '192, '951, '667 and '849 render the '800 patent invalid for obviousness.

patent by pointing out that Claim 12 of the '800 patent disclosed that its device selectively imprinted separate portions from the same printing device. Plaintiffs' expert testimony, however, revealed that the '667 patent, which was not presented to nor considered by the Patent Office, discloses imprinting of separate portions of the same printing device. As has already been stated, pp. 13-14, *supra.*, the presumption of validity does not exist against evidence of prior art not before the Patent Office. *Republic Industries, Inc. v. Schlage Lock Co.*, 592 F.2d at 972; *The Allen Group v. Nu-Star, Inc.*, 575 F.2d 146 (7th Cir. 1978) (per curiam). In light of this and in light of the testimony with regard to the '667 patent, this Court finds that Claim 12 of the '800 patent would have been obvious to one of ordinary skill in the art at the time the invention was made.

C. *35 U.S.C. §§ 112, 115 and 116*

Plaintiffs make identical arguments with regard to the invalidity of Claim 12 of the '800 patent under 35 U.S.C. § 112 as they made in reference to Claim 7 of the '120 patent. *See* pp. 16-17, *supra.* Defendants rest on the presumption of validity applied to Claim 12 of the '800 patent, especially as to technical requirements considered by the Patent Office. This Court's comments regarding the failure of disclosure alleged in Claim 7 of the '120 patent are dispositive in the case of Claim 12 of the '800 patent, which satisfies the requirement of precision set forth in § 112. *See* pp. 16-17, *supra.*

Plaintiffs' assertion of invalidity under 35 U.S.C. §§ 115 and 116 is unsupported by the file wrapper of the continuation application for the '800 patent, which properly contains the oath of the joint inventors and the joint affidavit and petition for addition of inventors.

D. *'800 "On Sale" Bar*

As was stated earlier, p. 17, *supra*, "on sale" bar requires clear and convincing evidence of commercial ex-

ploitation of a device, not identical to but complete and similar to the device disclosed in Claim 12 of the '800 patent. Plaintiffs present their *prima facie* case via deposition testimony and defendant's in-house documents. Plaintiffs rely chiefly on an exhibit entitled "Status Report—Transverse Platen Arrangement Model 1900-9100 Addressograph Machines," dated April 2, 1962 (PX-11).[6] Plaintiffs also rely on a document entitled "Advance Product Data For The Transverse Platen," dated May 29, 1962 (PX-56). The latter is used to identify the Model 1900 and 9100 Addressograph Machines referred to in PX-11 as devices embodied in Claim 12 of the '800 patent.

While evidence of commercial exploitation, rather than a completed sale, is sufficient to establish a *prima facie* case for "on sale" bar, *Amphenol Corp. v. General Time Corp.*, p. 17, *supra.*, once such commercial activity has been established, in validity may be avoided by showing that the sales activity was "substantially for purposes of experiment." *Smith and Griggs Mfg. Co. v. Sprague*, 123 U.S. 249, 256 (1887); *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d at 1139. The question of whether a use of sales activity is for the purpose of experimentation is one of the inventor's intent. *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d at 1144; *Solo Cup Co. v. Paper Machinery Corp.*, 240 F. Supp. 126, 131 (E.D. Wis. 1965), *modified on other grounds*, 359 F.2d 754 (7th Cir. 1966). The interoffice correspondence dictated by B. L. Meyers reveals the inventors' intent to test the alleged "on sale" devices for eight weeks after their exhibition. The prime purpose of the exhibition was to permit prospective customer evaluation rather than to take orders immediately and profit on the alleged "on sale" devices. "[T]he placing of an invention 'on sale' for experimental purposes to enable the inventor to determine whether the invention is complete and functional does not place the

[6] Under § 102(b), plaintiffs must establish that the commercial exploitation occurred before April 25, 1962.

invention 'on sale' within the meaning of the statute." *Red Cross Mfg. Co. v. Toro Sales Co.*, 525 F.2d at 1144; *See also Dart Industries, Inc. v. E. I. DuPont De Nemours and Co.*, 489 F.2d at 1366. This Court concludes that defendants have successfully rebutted plaintiffs' *prima facie* evidence of commercial exploitation, and holds that no "on sale" bar may be found on these facts.

Even if this Court were to find that defendants had failed to rebut plaintiffs' *prima facie* case, it would nevertheless be compelled to find that plaintiffs had failed to show by clear and convincing proof that the alleged "on sale" devices were sufficiently complete and similar to the device embodied in Claim 12 of the '800 patent to justify a finding of "on sale" bar. This is especially true in light of the testing which took place eight weeks after the exhibition. This testing extends past the critical date of one year prior to the application date, *see* n.6, *supra.* Also, PX-56 describing the alleged "on sale" devices is dated after the critical date for "on sale" bar.

E. *'800 Fraud*

Plaintiffs' argument that defendants committed fraud because they failed to disclose evidence of the alleged "on sale" bar is obviated by this Court's finding that no such bar was shown. Additionally, plaintiffs did not establish that the defendants knowingly and willfully concealed material information from the Patent Office. *Columbia Broadcasting System, Inc. v. Zenith Radio Corp., supra.* Plaintiffs provided no support for their allegations of inequitable conduct, nor did they prove bad faith. *Precision Instrument Mfg. Co. v. Automotive Maintenance Machiney Co., supra.* In sum, plaintiffs' allegation of fraud is completely without merit.

VIII. *'777 Patent Infringement*

Plaintiffs contend that the '777 patent is not infringed by NBS accused imprinters under either A) literal infringement or B) the doctrine of equivalents.

A. *'777 Literal Infringement*

This Court finds no literal infringement of the '777 patent because the accused NBS imprinters do not clearly fall within Claims 1 and 2 of the '777 patent. *Graver Tank & Mfg. Co. v. Linde Air Products Co., supra.* Claims 1 and 2 of the '777 patent read alone do not encompass a two platen roller assembly in which the two rollers are supported by a single support rod, as embodied in the accused NBS imprinters (R 1125). Claims 1 and 2 of the '777 patent also do not encompass a two platen roller assembly in which one of the two separately supported platen rollers has an extension platen, as embodied in the accused NBS imprinters. The Court is not persuaded by defendants' attempts to contradict these observations. In fact, defendants' expert Maul admitted that the support for the platen assembly of the NBS accused imprinters differs from that disclosed in Claims 1 and 2 of the '777 patent (R 1377-78). On these facts, no literal infringement may be found.

B. *Doctrine of Equivalents*

Plaintiffs argue first that defendants cannot discharge their burden of proving infringement since it is not possible to determine what subject matter is within the scope of Claims 1-5 of the '777 patent. Plaintiffs support this assertion by alleging invalidity of Claims 1-5 of the '777 patent under 35 U.S.C. § 112. In the alternative, plaintiffs argue that even if it were possible to determine the scope of Claims 1-5 of the '777 patent, defendants are estopped by the file wrapper history from claiming infringement by equivalents. It is asserted that the doctrine of file wrapper estoppel prevents defendants from claiming that the '777 invention embodies anything other than two parallel platen support elements, thereby excluding from infringement by equivalents the accused NBS imprinters.

In support of their assertion that the '777 patent is infringed under the doctrine of equivalents, defendants contend, through Mr. Maul's testimony, that the accused NBS imprinters have identity of means in the support yokes dangling from a single support rod and that their operation from the single support rod is the same as from the two rods embodied in Claims 1 and 2 of the '777 patent (R 654, 676). It is asserted that the other accused NBS imprinters which disclose yokes dangling from two aligned support shafts produce the same function when printing a credit card and a merchant plate, and that there exists further identity of operation between the yoke-stop assembly embodied in the accused NBS imprinters and that disclosed in Claims 1 and 2 of the '777 patent (R 1378). Additionally, defendants contend that the accused NBS imprinters have screws identical to those embodied in Claim 3 of the '777 patent which provide for the separate and independent adjustment of the pressure applied against the printing plate by each platen roller (R676-79). Finally, defendants argue that the accused NBS imprinters produce substantially the same imprinting result as the device disclosed in Claims 1-3 of the '777 patent.

As was stated earlier, p. 22, *supra.*, infringement by equivalents is not avoided by varying the apparatus described in the specification or illustrated in the drawings of the patent. *United States v. Adams, supra, Ellipse Corp. v. Ford Motor Co., supra., Toro Co. v. R. L. Nelson Corp., supra.* Plaintiffs must fail in their argument that the absence of similar literal detail in the two platen roller support rods in Claims 1 and 2 of the '777 patent and the accused NBS imprinters precludes infringement by equivalents.

This Court is persuaded by the testimony of defendants' expert which established identity of means, operation and result between the '777 invention and the accused NBS imprinters. *Reese v. Elkhart Welding and Boil Works,*

Inc., supra. Skirow v. Roberts Colonial House, Inc., supra. Both experts Maul and VanDerLinden agree and this Court finds that the significant element of the '777 invention discloses the separate and independent means of adjusting the pressure of each platen roller (R 804-5, 1023). This element is fully embodied by the accused NBS imprinters.

Plaintiffs also attempt to argue the doctrine of file wrapper estoppel. File wrapper estoppel traditionally precludes employing equivalents to enlarge patent claims to include areas explicitly abandoned before the Patent Office. *See* p. 23, *supra.* The claims made now were not abandoned before the Patent Office, but rather were fully part of the application as submitted. As a result, an estoppel theory does not apply. Claims 1-3 of the '777 patent cover the accused NBS imprinters and "may fairly be called the equivalent of the ones described" in the accused NBS imprinters. *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d at 875, *Dole Valve Co. v. Perfection Bar Equipment, Inc.*, 298 F. Supp. 401, 406 (N.D. Ill 1968), *aff'd* 419 F.2d 968 (7th Cir. 1969).

For the foregoing reasons, this Court concludes that defendants have carried their burden of proof as to infringement.

IX. *777 Patent Validity*

Plaintiffs attack the validity of the '777 patent on four grounds. They argue that it is: A) invalid for obviousness, B) unenforceable for failure of disclosure, C) unenforceable for fraud on the Patent Office, and D) unenforceable for failure to disclaim Claims 4 and 5 pursuant to 35 U.S.C. §§ 253 and 288.

A. *777 Obviousness*

Based on the testimony of expert VanDerLinden, plaintiffs argue that a person of ordinary skill in the art at the time the invention was made would have found it

obvious to assemble an imprinter of the type disclosed in Claims 1-3 of the '777 patent. Plaintiffs argue that Patent No. 3,410,207 discloses an automatic yoke-stop assembly which activates an idling, raised return stroke of a single platen roller, as embodied in Claims 1 and 2 of the '777 patent and applied to the movement of the first platen roller. Further, plaintiffs point out that the '777 patent itself mentions the '120 patent as prior art for a two platen roller, double stroke imprinter. Additionally, plaintiffs argue: 1) that Patent No. 3,556,007 discloses independently adjustable platen rollers; 2) that Patent No. 3,661,080 discloses the concept of independently adjustable platen rollers placed parallel to each other; and 3) that Patent No. 3,577,917 discloses a spring-screw assembly for adjusting a single platen roller, which is shifted from one printing path to another in a forward-return, double stroke. Finally, plaintiffs' expert VanDer Linden testified that he observed the features of Claims 1-3 of the '777 patent in combination in these various prior art patents.

As established in the previous obviousness analyses, pp. 25-27, *supra.*, a patent combining elements present in the prior art is patentable only after close scrutiny reveals a new or different function of the invention as a whole, *A&P Tea Co. v. Supermarket Corp., supra.* The presumption of validity attached to the combination patent may only be overcome by prior art which teaches the patent's combination of elements. This Court is persuaded by plaintiffs' expert VanDerLinden's testimony that the teaching of the combination of the elements embodied in Claims 1-3 of the '777 patent could be found in the prior art patents. His testimony regarding the '777 invention is not based on improper hindsight, but rather is based on the prospective of "a hypothetical person" having all of the prior art at hand and having ordinary skill in the art at the time the invention was made. *Popiel Brothers, Inc. v. Schick Electric, Inc.*, 494 F.2d 162, 167 (7th Cir.

1974), *Gass v. Montgomery Ward*, 387 F.2d 129, 130 (7th Cir. 1967).

VanDerLinden's testimony is supported by evidence of prior art patent (Patents Nos. '007, '207 and '917) not considered by the Patent Office when it issued the '777 patent and hence unaffected by the patent's presumption of validity. *See Blacksmith, Inc. v. Lindsay Bros., Inc.*, pp. 13-14, *supra*. While it is true that the '080 patent (the fourth prior art patent on which VanDerLinden's testimony was based) was considered insufficient by the Patent Office to render the '777 invention invalid because the '080 patent disclosed tandem platen rollers printing at the same time, none of the Patents Nos. '007, '207 or '917 were considered by the Patent Office. This Court accepts VanDerLinden's characterization of the means and operation of each of these prior art patents. The Court is especially persuaded by testimony regarding the '917 patent, which discloses every element disclosed in Claims 1-3 of the '777 patent except the two platen rollers situated side-by-side, which the preamble to the '777 patent acknowledges as taught in the '120 patent. In light of the new prior art considered and the credible testimony of plaintiffs' expert, this Court finds the combination of old elements embodied in Claims 1-3 of the '777 patent to be "the work of the skilled mechanic, not that of the inventor." *Hotchkiss v. Greenwood*, 52 U.S. 248, 266 (1851). Thus, plaintiffs have satisfied their burden of proof as to obviousness.[7]

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[7] Defendants argue that: 1) the '207 patent discloses no means for adjusting pressure of the single platen roller; 2) the '120 patent discloses no independent means for adjusting pressure of each of the two platen rollers; 3) the '007 patent discloses a stationary double platen roller with no independent means for supporting each platen roller; 4) the '080 patent discloses two tandem platen rollers which print in one stroke; and 5) the '917 patent discloses a single platen roller which naturally has nothing to do with separate means for supporting two platen rollers. Defendants further contend that none of the prior art patents teach the combination of

B. *'777 Failure of Disclosure*

Plaintiffs argue that Claims 1, 2, 4 and 5 of the '777 patent fail to recite the subject matter which the applicant regarded as his invention and are therefore invalid under the second paragraph of 35 U.S.C. § 112. Based on the testimony of expert Williamowsky, plaintiffs assert that defendants failed to provide antecedent definitions for the terms used in Claim 1 of the '777 patent and that the '777 patent specifications do not clearly support Claims 1-5 of the '777 patent (R 1289, 1291-1319). Additionally, based on the testimony of expert VanDerLinden, plaintiffs allege that Claims 1-5 of the '777 patent fail to set forth an enabling description of the '777 invention as required in the first paragraph of 35 U.S.C. § 112 (R 1021). Because this Court believes that plaintiffs have failed to prove that defendants violated the requirements of 35 U.S.C. § 112, plaintiffs argument that the '777 is invalid for failure of disclosure is rejected.

As has already been stated, pp. 16-17, *supra.*, 35 U.S.C. § 112 requires that in order to be valid, patent claims must particularly point out and distinctly claim the subject which the applicant regards as his invention. *Rockwell v. Midland-Ross Corp.*, 438 F.2d at 653. Ambiguous, indefinite and vague patent claims are void. *Ellipse Corp. v. Ford Motor Co.*, 452 F.2d at 170. Plaintiffs' argument that Claims 1, 2, 4 and 5 of the '777 patent fail under the second paragraph of § 112 to recite any means for adjusting the printing pressure of any platen, independently or otherwise, assumes that § 112 requires each claim to recite every aspect of the claimed invention. There is no such requirement, and Claim 3 of the '777 patent is sufficient to disclose the independent pressure adjustment means which inventor Brown regarded as his invention.

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elements embodied in Claims 1-3 of the '777 patent. Despite these distinctions, the combined teachings of the prior art Patents Nos. '207, '007, '080, '120 and '917, render the '777 patent invalid for obviousness.

Furthermore, the testimony of plaintiffs' own expert Williamowsky is rejected as improper hindsight not based on the perspective of one of ordinary skill in the art at the time the invention was made. As established in the earlier analysis of § 112, the proper application of the § 112 precision requirement is at the time the patent claims were written. In contrast, this Court is persuaded by the testimony of defendants' expert Maul to the effect that a person of ordinary skill in the art would, at the time of the invention, find Claim 1 of the '777 patent understandable, *see* § 112 (first paragraph); *Application of Edwards*, 568 F.2d 1349, 1352 (CCPA 1978); *Application of Hawkins*, 486 F.2d 569, 574 (CCPA 1973). It is, therefore, this Court's conclusion that the § 112 precision requirement is satisfied.

Plaintiffs also allege that the '777 invention is non-enabling. This Court accepts Maul's testimony and Van DerLinden's cross-examination testimony which agree that the pressure adjusting screws do affect an adjustment of pressure on each platen roller independently. VanDer Linden's direct testimony as to plaintiffs non-enabling argument is rejected as contradicted by his cross-examination testimony. The Patent Office twice rejected the claims and drawings in the '777 patent application under § 112 before allowing them, and such evidence in the file wrapper history strengthens the presumption of validity of Claims 1-3 of the '777 patent. Plaintiffs have failed to satisfy their burden of proof as to invalidity under § 112.

C. *'777 Fraud*

Plaintiffs first argue that defendants acted fraudulently when they did not inform the Patent Office Examiner that Claims 1-3 of the '777 patent did not satisfy the second paragraph of 35 U.S.C. § 112. As with many of defendants' allegations of fraud, the latter is obviated by this Court's finding that Claims 1-3 fully satisfy the statutory precision requirements.

Plaintiffs next argue that defendants acted fraudulently in failing to disclose the '007 prior art patent. In the absence of clear and convincing proof of "wrongfulness, willfulness, or bad faith," *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. at 814-815, it is a permissible exercise of a patentee's judgment to withhold prior art which the patentee believes would not affect the Examiner's evaluation of the pending application. *CTS Corp. v. Piker International Corp.*, 527 F.2d at 99-100. Plaintiffs have failed to offer clear and convincing proof of bad faith by defendants in not disclosing the '007 patent, and therefore plaintiffs have failed to carry their burden of proof as to fraud.

D. *'777 Fraud for Failure to Disclaim*

Plaintiffs argue that defendants engaged in inequitable conduct amounting to fraud when they failed to disclaim Claims 4 and 5 of the '777 patent, which defendants removed from their infringement claim prior to trial. Plaintiffs argue that the failure to disclaim Claims 4 and 5 of the '777 patent constituted improper conduct which requires the Court to dismiss the defendants' infringement action as to all the claims of the '777 patent.

35 U.S.C. § 288 provides that:

> "Whenever, without deceptive intention a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent and Trademark Office before the commencement of the suit."

Based on this statutory provision, it has been held that "invalidity of any part of a patent will defeat the entire patent unless (1) the invalid portion was claimed through inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, and (2) is disclaimed without

unreasonable neglect or delay." *Strong v. General Electric Co.*, 434 F.2d 1042, 1045 (5th Cir. 1970). It is on the basis of this rule of law that plaintiffs argue that defendants' infringement action must be dismissed as to all claims of the '777 patent.

This Court rejects plaintiffs' argument for two reasons. First, Claims 4 and 5 of the '777 patent are not in controversy in this case since defendants have never made a specific charge of infringement under them. Second, dismissal of the action is not appropriate where, as here plaintiffs have failed to prove bad faith or deceptive intention on the part of defendants in procuring the patent from the Patent Office.[8] In the abscence of clear and convincing proof of bad faith, imperfect preparation in failing to drop Claims 4 and 5 from dependants' infringement suit does not require invalidation of the '777 patent under § 288.

Conclusion

Defendants have requested treble damages and attorneys' fees pursuant to 35 U.S.C. §§ 284 and 285, alleging willful infringement by plaintiffs. Because this is a close case, and only one of defendants' three patents has been found to be valid and infringed, it must be said that at any time the validity and infringement of the three patents was "open to honest doubt" and that, as a result, defendants have not proven that plaintiffs acted in a bad faith belief that the patents were invalid. *International Mfg. Co. v. Landon, Inc.*, 336 F.2d 723, 728 (9th Cir. 1964) *cert. denied* 379 U.S. 988 (1965), *Artmoore Co. v. Dayless Mfg. Co.*, 208 F.2d 1, 5, *cert. denied* 347 U.S. 920 (1954) (7th Cir. 1953). Defendants admitted the closeness of the technology in the art by citing a low level of technological content in data recorders in their

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[8] Under § 288, the relevant question is whether bad faith or deceptive intention were present at the time of procurement of the patent from the Patent Office. *Chromalloy American Corp. v. Alloy Surfaces Co.*, 339 F. Supp. 859, 875 (D. Del. 1972).

1980-84 growth plan. Additionally, defendants have not carried their burden of proof as to willful infringement. In light of the latter and in light of the closeness of this case, treble damages and attorneys' fees will not be awarded to defendants under 35 U.S.C. § 284 and 285. Similarly, as to the two patents held invalid, despite the weight of the prior art, the issues of patent validity and infringement are sufficiently debatable to counsel against an award of treble damages and attorneys' fees to plaintiffs under 35 U.S.C. § 285. *Ashland Oil, Inc. v. Delta Oil Products Corp.*, —— F. Supp. ——, 212 USPQ at 523. *See Wahl v. Carrier Mfg. Co.*, 511 F.2d 209, 214 (7th Cir. 1975).

In sum, it is hereby ordered that:

1. Claim 7 of U.S. Patent No. 3,272,120 to Johnson is valid and infringed by plaintiffs' accused devices.

2. Claim 12 of U.S. Patent No. 3,340,800 to Gruver et al., and Claims 1-3 of U.S. Patent No. 3,763,777 to Brown are invalid for obviousness under 35 U.S.C. § 103.

3. Plaintiffs' and defendants' requests for treble damages and attorneys' fees under 35 U.S.C. § 285 and 35 U.S.C. § 284 and 285, respectively, are denied.

IT IS SO ORDERED.

/s/ Nicholas J. Bua
NICHOLAS J. BUA
Judge
United States District Court

Dated: August 26, 1982

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

January 24, 1985

Before

Hon. WILBUR F. PELL, SR., Senior Circuit Judge

Hon. JESSE E. ESCHBACH, Circuit Judge

Hon. WILLIAM J. JAMESON, Senior District Judge *

No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants,

vs.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division

No. 80 C 4915 & No. 81 C 6227
Nicholas J. Bua, *Judge*

ORDER

Dated January 24, 1985

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* Senior District Judge William J. Jameson of the District of Montana is sitting by designation.

The appellant's motion for leave to file response to defendants-appellees' answer to appellants' petition for rehearing is granted. The response which is set forth as part of the motion is hereby deemed filed.

Having considered the petition for rehearing and suggestion for rehearing *en banc*, the response thereto, and the response to the response, no judge in active service has rquested a vote thereon, and all of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing and suggestion for rehearing *en banc* be, and the same is hereby DENIED.

APPENDIX D

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

January 24, 1985

Before

Hon. WILBUR F. PELL, JR., Senior Circuit Judge

Hon. JESSE E. ESCHBACH, Circuit Judge

Hon. WILLIAM J. JAMESON, Senior District Judge *

No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants,

vs.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Nos. 80 C 4915 & 81 C 6277
Nicholas J. Bua, *Judge*

ORDER

Dated January 24, 1985

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* William J. Jameson, Senior District Judge for the District of Montana, sitting by designation.

The following motions and memoranda have been filed by the respective parties subsequent to the filing of the court's opinion on September 20, 1984:

1. "APPELLANTS' MOTION FOR SANCTIONS" filed on November 5, 1984.
2. "MEMORANDUM IN SUPPORT OF APPELLANTS' MOTION FOR SANCTIONS" filed on November 5, 1984.
3. "AM INTERNATIONAL'S MEMORANDUM IN OPPOSITION TO APPELLANT'S MOTION FOR SANCTIONS" and request for attorneys' fees in responding to NBS motions, filed on November 9, 1984.
4. "REPLY MEMORANDUM IN SUPPORT OF APPELLANTS' MOTION FOR SANCTIONS" filed on November 13, 1984.
5. "APPELLANTS' MOTION TO CORRECT ERRORS IN OPINION FILED SEPTEMBER 20, 1984" filed on November 6, 1984.
6. "APPELLEES' MEMORANDUM IN OPPOSITION TO APPELLANTS' MOTION TO CORRECT ERRORS IN OPINION" filed November 23, 1984.
7. "BILL OF COSTS" filed on October 4, 1984, by AM International.
8. "OBJECTION TO APPELLEE'S BILL OF COSTS" filed on November 13, 1984, by NBS.
9. "AM'S REPLY TO NBS' OBJECTION TO APPELLEES' BILL OF COST" filed on November, 14, 1984.
10. "APPELLANTS' MOTION FOR LEAVE TO FILE RESPONSE TO DEFENDANTS-APPELLEES' ANSWER TO APPELLANTS' PETI-

TION FOR REHEARING" filed on December 6, 1984.

11. "APPELLANTS' FURTHER MOTION FOR SANCTIONS" filed on December 4, 1984.

The court having considered all of the motions and memoranda, and having entered a separate order correcting four errors in the opinion,

IT IS ORDERED:

1. With the exception of the aforesaid order amending the opinion, appellants' motion to correct errors in the opinion is denied.

2. Appellants' Motions for Sanctions are denied.

3. Appellant's Objection to Appellees' Bill of Costs is rejected, and costs as set forth in Appellees' Bill of Costs are awarded in full.

4. Appellees' request for attorney fees in responding to appellant's motion is denied.

IT IS SO ORDERED.

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

January 24, 1985

Before

Hon. WILBUR F. PELL, JR., Senior Circuit Judge

Hon. JESSE E. ESCHBACH, Circuit Judge

Hon. WILLIAM J. JAMESON, Senior District Judge *

No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants,

vs.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Nos. 80 C 4915 & 81 C 6277
Nicholas J. Bua, *Judge*

ORDER

Dated January 24, 1985

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* William J. Jameson, Senior District Judge for the District of Montana, sitting by designation.

IT IS ORDERED:

That the opinion in the above entitled cause be amended as follows:

1. Footnote 2, page 2 of slip opinion, last line, substitute "not infringed and dismissed the counterclaim based upon it," for "valid but not infringed."

2. Page 3, lines 7-8 of first full paragraph, substitute "As stated in the patent application," for "As the patent examiner remarked in 1966,"

3. Page 3, line 14 of first paragraph, substitute "patent" for "examiner".

4. Page 6, under III Contentions on Appeal, Contention No. 1, substitute "The Patent Office's expertise in resolving issues and the attendant presumption of its correct exercise are controlling," for "The district court was bound by the Patent Office's final rejection of the reissue application,"

IT IS SO ORDERED.

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

February 1, 1985

Before

Hon. WILBUR F. PELL, JR., Senior Circuit Judge

No. 82-2393

NATION BUSINESS SYSTEMS, INC.;
A Delaware Corporation, *et al.*,
Plaintiffs-Appellants,

vs.

AM INTERNATIONAL, INC., A Delaware Corporation, BARTIZAN CORPORATION, A New York Corporation and LEWIS HOFF, An Individual and President of Bartizan Corp.

Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
Nos. 80 C 4915 & 81 C 6277
Nicholas J. Bua, *Judge*

ORDER

Filed February 1, 1985

This matter comes before the court for its consideration on the "APPELLANTS' MOTION TO STAY MAN-

DATE" filed herein on January 30, 1985, by counsel for the plaintiffs-appellants.

On consideration thereof,

IT IS ORDERED that the mandate in this appeal shall be STAYED to and including March 1, 1985, to permit appellants to file a petition for certiorari in the U.S. Supreme Court. Appellants are instructed to notify this court of the filing of a petition for certiorari. Circuit Rule 17.

IT IS FURTHER ORDERED that should a petition not be filed by March 12, 1985, the mandate in this appeal WILL ISSUE without further notice.

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

Corrected February 8, 1985

Feb. 1, 1985.

Before

Hon WILBUR PELL, JR., Senior Circuit Judge

No. 82-2393

NATION BUSINESS SYSTEMS, INC.;
A Delaware Corporation, *et al.*,
Plaintiffs-Appellants,

vs.

AM INTERNATIONAL, INC., A Delaware Corporation, BARTIZAN CORPORATION, A New York Corporation and LEWIS HOFF, An Individual and President of Bartizan Corp.

Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division

Nos. 80 C 4915 & 81 C 6277
Nicholas J. Bua, *Judge*

CORRECTED ORDER

Filed February 8, 1985

This matter comes before the court for its consideration of the "APPELLANTS' MOTION TO STAY MANDATE" filed herein on January 30, 1985, by counsel for the plaintiffs-appellants.

On consideration thereof,

IT IS ORDERED that the mandate in this appeal shall be STAYED to and including March 12, 1985, to permit appellants to file a petition for certiorari in the U.S. Supreme Court. Appellants are instructed to notify this court of the filing of a petition for certiorari. Circuit Rule 17.

IT IS FURTHER ORDERED that should a petition not be filed by March 12, 1985, the mandate in this appeal WILL ISSUE without further notice.

APPENDIX H

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees

Appeal from the United States District Court for the
Northern District of Illinois, Eastern Division

APPELLANTS' PETITION FOR REHEARING WITH SUGGESTION FOR REHEARING EN BANC

Filed November 5, 1985

SUGGESTION FOR REHEARING EN BANC

Pursuant to F.R.A.P. 35 and 40 and Circuit Rule 16, appellants National Business Systems, Inc. et al (NBS) hereby petition for rehearing, in banc, because the panel's opinion effectively denies the very right of appeal by (a) failing to decide properly raised issues, (b) deciding issues that were not raised and are inappropriate, (c) engaging in appellate fact-finding based on appellees' false and misleading brief, (d) otherwise departing from the trial record and the district court's fact findings and (e) departing from controlling precedent by making rulings that conflict with at least:

(i) *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7 Cir. 1983) and *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1144 (Fed. Cir. 1983) on the issue of whether courts, in determining obviousness of a patent claim under 35 U.S.C. § 103 must consider *all* relevant evidence before reaching a conclusion on that issue and must specifically determine, rather than infer, the level of ordinary skill in the pertinent art;

(ii) *Roberts v. Sears, Roebuck & Co., supra* on whether the test of anticipation of a patent claim under 35 U.S.C. § 102(b) is "substantial identity" to be determined by comparing the invention as defined by the patent *claim* with the prior art;

(iii) *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d 1135 (7 Cir. 1975), *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144 (Fed. Cir. 1983) and *Kinzenbaw v. Deere & Co.*, 741 F.2d 383 (Fed. Cir. 1984) on whether the "on sale" bar provision of 35 U.S.C. § 102(b) precludes an inventor from commercial exploitation of his invention even though the invention be kept secret;

(iv) *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 340 (7 Cir. 1979), *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753 (Fed. Cir. 1984) and *Caterpillar Tractor Co. v. Borco S.p.A.*, 714 F.2d 1110 (Fed. Cir. 1983) on whether a patent claim must be construed "in light of the specification" *United States v. Adams*, 383 U.S. 39, 40 (1966);

(v) *Elgen Mfg. Co. v. Ventfabrics, Inc.*, 314 F.2d 440 (7 Cir. 1963) on whether infringement by equivalents must be determined in light of the inventive features described in the specification;

(vi) *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d 866 (7 Cir. 1973) on whether a method claim may be construed to define an unrecited apparatus;

(vii) *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990 (7 Cir. 1979) and *Syntex Opthalmics, Inc.*

v. Novicky (Fed. Cir., October 3, 1984) on issue preclusion;

(viii) *Driscoll v. Cebalo*, 731 F.2d 878 (Fed. Cir. 1984) on whether a patent claim may be unenforceable because infected by fraud consequert from concealment of prior art that a reasonable examiner would have deemed material in deciding whether to allow the claim, even though the claim itself is deemed by a court to be valid (patentable) over the concealed prior art;

(ix) *American Can Co. v. Crown Cork & Seal Co.*, 693 F.2d 653 (7 Cir. 1982), *CMI Corp. v. Barber-Greene Co.*, 683 F.2d 1061 (7 Cir. 1982); *aff'g* 214 USPQ 690 (N.D. Ill. 1982) and *CTS Corp. v. Piher International Corp.*, 527 F.2d 95 (7 Cir. 1975) on the issue of whether a party's concealment of its own material prior art from the Patent Office during the solicitation of a patent is *prima facie* willful and deliberative, rendering independent proof of scienter unnecessary;

(x) *Herman and MacLean v. Huddleston*, —— U.S. ——, 74 L.Ed.2d 548 (1983) on the issue of whether the standard of proof for fraud on a government agency in an *ex parte* proceeding is a preponderance of the evidence rather than "clear and convincing";

(xi) *Pullman-Standard v. Swint*, 456 U.S. 273 (1982) on whether an appellate court is without power to make *de novo* fact findings and *must* remand to the district court when it concludes essential fact findings have not been made unless the record permits only one answer to the fact question at issue; and

(xii) *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948) on whether an appellate court must review the entire evidence relative to a challenged trial court fact finding to see if it "is left with the definite and firm conviction that a mistake has been committed" instead of merely assuring itself that there is "substantial evidence" to support the finding.

PETITION FOR REHEARING

NBS seeks rehearing, *not* mere reconsideration, and nullification of a fatally flawed ruling. At stake is whether the controlling precedent in this Court, the rules and statutes which govern its operation, and the very right of appeal can be decimated by a panel's apparent determination to affirm a district court at all cost.[1]

The panel opinion departs so far from this Court's normally high standard of performance in the discharge of its duty to hear and determine appeals as to pose the issue of whether NBS has even *had* an appeal. This opinion evidences that the panel resolved not to be hampered by controlling law, the trial record or the district court's fact findings in reaching its apparent goal of affirmance. Repeatedly throughout the opinion, issues raised by NBS are distorted to facilitate affirmance or simply ignored. To avoid remand on several issues, the panel has filled holes in the district court opinion with its own *de novo* appellate fact findings which it had no power to make—several of which, incredibly, derive not from the trial record, but from false representations in appellee AM's brief. The points NBS made at oral hearing are simply ignored—perhaps because the tape of that hearing, inexplicably lost shortly afterward, still cannot be found.

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[1] The panel may have been influenced by knowing this to be the last patent appeal, or nearly so, to reach the Court. After all, Judge Eschbach, a member of the panel, had earlier joined with Judge Posner in *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324, 1348 (7 Cir. 1983) to express his strong conviction, based on announcement by the Federal Circuit in *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982) (*in banc*) that "it will not be bound by decisions of other circuits" in the exercise of its now exclusive jurisdiction over patent appeals, that an unsound panel decision in this Circuit in a patent appeal is "harmless" and without "weight as precedent", whereby "we cannot afford to waste judicial resources" in its correction, *Roberts*, 734 F.2d at 1348.

The resultant breakdown in the judicial system denudes NBS, basically a Canadian corporation headquartered in Toronto, of confidence in American legal institutions—and rightly so. Certainly if the appellate courts fail to discharge their function, business people—unable to depend upon their adherence to established precedents and their conduct of proceedings in conformity to controlling rules and statutes—cannot plan or function efficiently.

As the panel acknowledges, NBS argued in part that the PTO final rejection of claim 7 is presumptively correct (Op. 7). To reject that contention, the panel found it necessary to enunciate an incorrect *de novo* fact finding:

> Here, special deference to the Patent Office decision is particularly inappropriate because . . . the district court, having the benefit of extensive proof by expert testimony and demonstrative evidence. . . . (Op. 9)

This spurious fact finding—which the district court did *not* make—was induced by the false assertion at D.Br. 21 that "the trial court . . . had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceeding". The untruth of this representation was exposed at P.Rep.Br. 2, n.5—which the panel *ignored*—as follows:

> Defendants' bald assertion that "the trial court . . . had before it a far more comprehensive and complete record than that before the Examiner in the reissue procedings", (D.Br. 21), is unsupported. Defendants do not controvert that they "relied upon essentially the same evidence and arguments" (P.Br. 16) in both tribunals. The record is clear that so much of the "live testimony from expert witnesses" (D.Br. 21) as relates to Cox added nothing to the PTO record and afforded no "demeanor" or "credibility"

> questions for the trial court to resolve. "Expert" testimony about on sale bar was not offered by either party. *No* "in-court demonstrations" (D.Br. 21) were pertinent to Cox or on sale bar issues. PTO briefing was as comprehensive as in the district court. See PX 5A and PX 5AA. (emphasis in original; P.Rep.Br. 2, n.5)

NBS also argued that AM, having sought reissue under 35 U.S.C. § 251 of the identical '120 patent claims, including claim 7, and received a final ruling of unpatentability (invalidity)[2] that became "immune as a practical matter to reversal or amendment"[3] when the '120 patent *expired* on September 13, 1983, should have been precluded from seeking a further determination of validity of the same claim 7 in the federal courts. This *sound* argument that the Court was "bound" by what the Patent Office had held. The panel adjudicated the latter straw man issue,[4] but never dealt meaningfully with *issue preclusion*, the *only* question NBS *did* advance.

The district court, to find claim 7 infringed, was constrained by the record to reject "[p]laintiff's argument . . . that this Court must read the language of the claim in light of the specification and the file wrapper" (546 F.Supp. at 348) and incorrectly to hold instead that "the

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[2] As 35 U.S.C. § 282 makes clear, "unpatentability" and "invalidity" are two labels for the same determination under 35 U.S.C. §§ 102 and 103.

[3] *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990, 996 (7 Cir. 1979); see also *Syntex Ophthalmics, Inc. v. Novicky* (Fed. Cir., October 3, 1984), Slip Op. at 18-19, n.17 and C. Wright, *Law of Federal Courts*, § 100A at 682 (4th Ed. 1983).

[4] Under the heading "Contentions on Appeal" the panel states that NBS contended that "[t]he district court was bound by the Patent Office's final rejection. . . ." (Op. 6). Under the heading "Conclusion" the panel states "[w]e conclude that the district court was not bound by the findings of the Patent Office. . . ." (Op. 23).

Court is to read the claim alone as the measure of the invention" (*Id.*).[5]

If the panel had read claim 7 "in light of the ['120] specification and the circumstances which surrounded the ['120] patent at its inception" as it *should have*,[6] it would have *understood* that (i) for *years* before the alleged invention was made, it was *conventional* to *simultaneously* print all *three* lines of embossing, including an optical character recognition (OCR) (account number) line from plastic credit cards; (ii) with the advent of *MICR*, simultaneous printing proved infeasible *because* the influence of the other lines of embossing rendered the imprint of the MICR line insufficiently clear; (iii) *that is the problem* addressed by the '120 patent; and (v) that patent's purported *solution to that problem* is to print the MICR line in *isolation* with a narrow platen.

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[5] The district court was so constrained because of its own findings that (i) "the drawings in the '120 patent show one narrow platen and one wide platen in an assembly designed to selectively imprint MICR characters [imprint MICR characters in isolation from other lines of embossing on the card] as specifically described in the specification of the '120 patent" (546 F.Supp. at 348) and (ii) on "undisputed" facts "regarding the accused NBS imprinter[s]", that "[m]ost plastic credit cards have . . . only one line . . . in a machine readable font" and that the NBS imprinters have "tv.) platen rollers", one of which "[o]n the left-to-right stroke . . . *imprints all of the lines of embossing from a plastic credit card*" (546 F.Supp. at 347; emphasis added).

[6] "The terms of claims are best construed in light of the specification and the circumstances [see P.Br. 4-10] which surround the patent at its inception . . .", *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 760 (Fed. Cir. 1984); Patent claims "must" be construed "in light of the specification" United States v. Adams, 383 U.S. 39, 40 . . .", *Caterpillar Tractor Co. v. Borco S.p.A.*, 714 F.2d 1110, 1116 (Fed. Cir. 1983). The identical holding also based on *United States v. Adams* appears in *Lee Blacksmith, Inc. v. Lindsay Bros., Inc.*, 605 F.2d 340, 345 (7 Cir. 1979) where the panel included Judge Pell, a member also of the present panel.

This is the teaching of the '120 patent specification which states that the objective of producing acceptable prints of MICR or OCR characters was achieved "[a]ccording to the present invention"

> . . . by providing a data recorder for imprinting . . . from a printing plate having *two* distinct groups of embossed characters thereon. The data recorder is provided with dual roller platens which are independently operative to imprint one group of charters with one of the platens when the platens are moved in a first direction across the form, and to imprint the other group of characters with the other platen when the platens are moved in the opposite direction across the form. *In particular one of the platens is arranged to come into printing relation with a single line only of MICR type and to roll therealong from end to end without reaching any adjacent line of type.*[7] The uniformity of the pressure thus applied . . . provides a clear, dense image of the MICR type on the form, which image is free of ragged outlines and has the degree of clarity and sharpness required for automatic reading. (Col. 2 ll. 22-46)[8]

Based on *this* teaching of the '120 patent specification, NBS argued, *inter alia* at P.Br. 38-39, that the NBS imprinters *cannot* infringe because they do *not use* the claim

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[7] As stressed at oral argument and in the concurrently filed motion for sanctions, the emphasized key sentence is *omitted* from the quotation of this passage at D.Br. 3.

[8] After describing the operation of the imprinter shown in the '120 patent drawings, the specification explains that the desired

> . . . results are achieved through the use of a dual platen roller assembly wherein *the printing of the MICR character is accomplished by rolling line contact and under circumstances such that the printing pressure on the embossed MICR characters is not influenced by any parallel embossed lines on the printing plate.* (Col. 6, ll. 7-12; emphasis added)

7 *method invention*—but instead print *all* lines of embossing simultaneously and print *no* single line in *isolation.* The panel could not meet this argument. It therefore resorted to distortion by a cropped quotation—

> NBS argues that claim 7 is limited to imprinting "from different portions of the same embossed printing device" on opposite strokes. (Op. 21)

—omitting the key argument point that *undercuts* the panel ruling.[9]

This incredible affirmance, based on a mischaracterization of the argument NBS *did* make, is flatly inconsistent with the only dispositive testimony in the record, ignored by the district court and the panel. Thus, plaintiff's highly qualified patent expert Williamowsky, for 33 years either an Examiner in the Patent Office or a member of its Board of Appeals, cogently testified that:

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[9] In context, the fragment of the NBS argument quoted by the panel states:

> The most cursory reference to the '120 patent specification makes clear that claim 7's limitation to imprinting from *different portions* * of *the same* * embossed printing device is *essential* * to the disclosed invention, because at the heart of the problem addressed—*i.e.*, making sharp, clear machine-readable imprints of machine code information from a single credit card also containing lines of ordinary embossing.[62] In describing how *one group of machine code characters is imprinted in isolation by a narrow platen moving in one direction and the remaining characters by a wider platen moving in the opposite direction,* the specification stresses that . . . (quotation from '120 patent, Col. 2, l. 41-46 omitted; * indicates emphasis in original)

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[62] . . . The contention of NBS is that the sole invention described in the '800 and '120 patents is to imprint a machine code line of . . . characters in isolation from other closely spaced lines of embossing on a printed [sic printing] device . . . and that the accused imprinters do *not* so function and hence do not infringe . . . (P.Br. 38-39)

> . . . claim 7 "does not" properly include [the NBS imprinters] within its scope", either literally (R. 1265, l. 6-1266, l. 8) or under the doctrine of equivalents "because then you would not be operating it for the purposes of the patent" (R. 1267, ll. 17-25). P.Br. 40-41; footnote omitted)

P.Br. 37 correctly cited *Elgen Mfg. Co. v. Ventfabrics, Inc.*, 314 F.2d 440, 443-444 (7 Cir. 1963) for its controlling holding that:

> . . . The test of infringement must be the *use* . . . of the *inventive features* of the patent. . . *What constitutes equivalency must be determined against the context of the patent* . . .

To affirm, the panel *ignores* the *Elgen* rule to hold inconsistently that the district court's "finding of equivalence is properly based on expert testimony regarding the interchangeability of the printing device disclosed in claim 7 and the two embossed plates used in the NBS imprinters" (Op. 21).

The *Elgen* test requires that equivalence be determined by reading the claim against *"the context of the patent" —not, as the district court did, against* expert testimony purporting to construe a term in the claim wholly *independently* of the patent specification.[10]

In this Circuit, "the test [for anticipation] has been one of *substantial* identity . . .," to be determined by *comparing the invention as defined by the patent claim* with the prior art. *Roberts, supra*, 723 F.2d at 1332-

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[10] When the claim *is* so read, as NBS stressed at oral argument, it becomes clear that the question of equivalency does *not* turn on whether "printing device" in the claim must be *one* credit card or can encompass several embossed plates, but instead hinges on the construction of the terms "one portion of the printing device" and "the other portion of the printing device" in the context of the specification. So construed, either "one portion" or "the other portion" *must* mean a single line portion as the specification requires.

33.[11] The panel did *not* compare the *method defined by claim 7* with the *method* described in the Cox patent, as it should have.[12]

The panel made *no* finding that there is a difference between the *claim 7 method* and that of the Cox reference —much less a finding that any such difference is "substantial'.

Instead, the panel made its own *new* findings of "differences between the two *patents*" (Op. 16)—i.e., "between the Cox printing press and the table-top imprinter" (Op. 15) described in the '120 patent drawings and specification. Included among them are "that the Cox device was intended for *printing* rather than *imprinting*" (Op. 15; emphasis by the panel) which flies in the face of claim 7's repeated references to "printing" and failure to mention "imprinting" at all. Also relied on are machine

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[11] " '[I]t is sufficient if the general aspects are the same and the difference in minor matters is only such as would suggest itself to one of ordinary skill in the art' ". *Ibid.*

[12] The panel thus proceeded in a manner condemned by panel member Judge Pell, when he wrote for the Court in *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d 866, 872 (7 Cir. 1973), to emphasize that a method claim may *not* be construed to define an unmentioned apparatus:

> We think that the district court placed undue emphasis on the apparatus creating the collimated beam of light. The important point is that the use of a collimated beam of light is *a step in the Trice methods patent.* The claims of a patent are the measure of its grant. . . .

Here, the "important point" is that only opposite stroke printing with a carriage having two rollers operating in opposite directions is defined by the steps of the *method* claim, which is *silent* about the nature of the apparatus containing the carriage assembly. Had the panel correctly read the claim as a *process*, by definition the function of a machine, it could not illogically have denied "identity of function" in two devices that perform the *same claimed process steps*, as it did (Op. 15).

features not referred to in the claim or mentioned by the district court (Op. 15).

To justify these *de novo* findings, the panel quoted from the trial testimony at R. 1151, l. 8-R. 1151, l. 6 (see Op. 15-16 n.6, following the ellipsis)and then made a further new and erroneous finding that:

> The district court cited this testimony in its opinion and plainly relied on the foregoing differences between the two patents when it distinguished the Cox device as a "printing press". . . . (Op. 15-16)

The district court never cited "this testimony" in its opinion on "'120 Anticipation" (546 F. Supp. at 350) or elsewhere, and did not rely, "plainly" or otherwise, on the differences" newly postulated in the panel opinion.[13]

The passage at Op. 15-16 under the "Anticipation" heading (Op. 14) virtually paraphrases D.Br. 24-25 down to the case citation at Op. 16. D.Br. 24-25, however, flatly *misrepresents* (citing, *inter alia*, all of R. 1151-52) that plaintiffs' expert VanDerLinden and defendants' expert Maul testified to "differences between the Cox patent *and claim 7*" (D.Br. 24, 25) and that "[t]he trial court found *those differences* to be substantial" (D.Br. 25).

The panel opinion repudiates "the basic requirement that *all* evidence touching on the obviousness-nonobviousness issue must be fully considered before a conclusion is reached on that issue" *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1144, 1159 (Fed. Cir. 1983) and its focal corollary that "under the obviousness test . . . the *level* of ordinary skill in the pertinent part *must* be determined. . . ."

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[13] The district court *did* cite but did *not* rely on VanDerLinden's testimony at R. 1150 (546 F. Supp. at 350), quoted by the panel *before* the ellipsis in n.6, Op. 15. This testimony relates to the *only* hint of "difference" between the claim 7 and Cox *methods*—i.e., that Cox prints on a piece of paper while claim 7 specifies a "form-set" (i.e., paper form sheets interleaved with carbon). The PTO held this to be "a distinction without a difference" (PX-5A, Part 3, p. 1064). The district court made no contrary finding.

Roberts, 723 F.2d at 1334, "by a consideration of all of the evidence made available" *Application of Palmer*, 451 F.2d 1100, 1103 (CCPA 1971).

The district court made no findings concerning the NBS contention that claim 7 is invalid under § 103 in view of the *Cox* patent *alone* as the PTO had earlier ruled. See P.Br. 23; P.Rep.Br. 11. In lieu of remanding for the proper findings on this dispositive issue, *Pullman-Standard v. Swint*, 456 U.S. 273, 291-292 (1982), the panel ignores its existence.

The panel acknowledges that, *contrary to Roberts*

> [T]he district court made no specific finding of the contemporaneous level of skill in the pertinent art. . . . (Op. 11);[14]

Saying that "the obviousness issue presents a very close question in this case", the panel confessed its inability to make a proper conclusion on that legal issue "without a precise appreciation of the contemporaneous level of skill in the art" (Op. 12). Instead of remanding, guided by the *Roberts* admonition that appellate courts do "not sit to adjudicate *de novo* the factual issues underlying the determination of obviousness", 723 F.2d at 1335, the panel made its own *de novo* finding.

Thus, adopting Judge Jameson's *dissent* in *Gettelman Mfg., Inc. v. Lawn 'N Sport Power Mower Sales & Service, Inc.*, 517 F.2d 1194, 1201 (7 Cir. 1975), never before accepted by a panel of this Circuit, the panel inferred a district court finding. It held:

> [It] is clear from the several references to that guideline in the court's opinion that it [tacitly] re-

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[14] And so puts the *lie* to the statement in AM's brief that

> The trial court made each of the findings that underlie the ultimate legal determination of obviousness (App. 11a-15a) Graham v. John Deere Co., 383 U.S. 1, 17 (1966) [footnote omitted].

> solved the level of ordinary skill in the art based on the expert testimony and the prior art itself. . . . (Op. 11)[15]

But, the *sole* reference the the "level of skill" guideline in the district's court's opinion is in the quotation from *Graham v. John Deere Co.*, 546 F.Supp. at 351. The district court's discussion of the "expert testimony and the prior art itself" is concerned only with the other *Graham* guidelines: determining the scope and content of the prior art and the differences between it and claim 7.

Importantly evidencing that the district court did *not* resolve the *level* of ordinary skill in the art, is its failure to consider the testimony of John Bradford, called by NBS only on that point[16]—to the effect

> . . . that he and his coworkers at Farrington made imprinters in the late 1950's that operated like the accused NBS imprinter, *supra* pp. 4-6, 14. . . . (P.Br. 24-25)

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[15] In his *Gettelman* dissent, Judge Jameson made the same *de novo* inferential finding:

> Implicit in the district court's opinion is the finding that the level of ordinary skill in the are was not so advanced that Gettelman's invention would have naturally occurred to a mechanic skilled in the art. (517 F.2d at 1201.)

The panel opinion here is also foursquare with Judge Jameson's *Gettelman* dissent in erroneously positing that the district court must be affirmed if "[t]here is substantial evidence to support" (Op. 13; 517 F.2d at 1202) its fact findings. It "is not the law", however, that a "finding . . . supported by substantial evidence cannot be clearly erroneous" Wright and Miller, *Federal Practice and Procedure*, Vol. 9, § 2585, p. 735 (1971). To determine whether a finding is clearly erroneous, the court must, as the panel here *did not*, review "the entire evidence" to see if it "is left with the definite and firm conviction that a mistake has been committed" *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948).

[16] As the NBS brief states "[t]o avoid invalidating claim 7 for obviousness, the district court *ignored* [John] Bradford's testimony" (P.Br. 25).

The panel also refuses to consider the dispositive evidence that the *stand-alone console type addressing machine* of AM's '800 patent utilized *four* strokes *only because*, in *that* basically old machine, the platen *must be raised* on the *two "return"* strokes to permit the cycling of plates, paper and ribbon,[17] whereas in the case *of the table top imprinter* specifically described in the '120 patent, there is no *such* "cycling"—and hence the inclusion of useless "return" strokes would have been absurd. As AM's expert Mault cogently put it in testimony *ignored* by the panel:

> Well, an operator using the [imprinter] machine, there wouldn't be any point in trying to have her make four strokes when she could do it in two strokes. (R. 822, ll. 10-12; App. I 6) (See P.Br. 26)[18]

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[17] As stated at P.Br. 26, n.40:

> [AM's expert] Maul testified that "when the platen . . . was incorporated into the 1900 machine [of the '800 patent], it took four strokes to get two passes, because that was the way the machine was basically designed" (R. 821, l. 3-822, l. 18) (App. I 5-6).

[18] The panel mischaracterizes the record to state that AM's expert Maul "testified that '[m]y designers would have had a very bad time' simply combining the art to produce the disputed invention" (Op. 11). Maul's actual testimony is:

> My [Maul's] designers would have had a very bad time trying to put *all the mechanism that's shown* [in the '800 patent] *with that Gruver gear-driven platen* into the Maul imprinter [as shown in the Maul '725 patent]. (Maul, Tr. 1443) (emphasis added)

This Maul testimony is irrelevant. "[A]ll the mechanism that's shown with that Gruver gear-driven platen" is concerned with the aforementioned cycling operation foreign to a table top imprinter.

The relevant question, *not* addressed by the panel, is whether at the time it would have been "obvious" to eliminate the two "return" strokes when incorporating the '800 selective printing method into a table top imprinter where such return strokes would have been superfluous.

Moreover, as the panel acknowledges elsewhere but ignores on this issue, "the district court found that the Cox patent . . . discloses two rollers capable of printing in opposite directions" (Op. 14).

The panel opinion acknowledges that imprinters which perform the claim 7 method had—before the "bar" date—been (i) "thoroughly tested and found operable (Op. 18, n.7); (ii) "release[d] for factory production" (Op. 18, n.7); (iii) "to fill [an existing"] order with imprinters embodying the '120 invention" (Op. 19) which AM "*intended* to ship to AAR" (Op. 18).

To affirm the district court's conclusion that "plaintiffs have not satisfied their burden" (546 F.Supp. at 351) on this "on sale" issue, the panel departed from the record to make another *de novo* fact finding that "Absent from the record, however, is any evidence that AM disclosed to [its customers] AAR the '120 invention or an imprinter embodying it" (Op. 18).

Again the *district court* made no finding [19] about AM's communication with its customers. *If* the panel thought such a finding material, remand was appropriate. *Actually*, the panel's unwarranted finding is not material and its ruling is incorrect; *Kinzenbaw, supra*, n.19.

The panel's new, unauthorized finding is the predicate for the panel holding that

> Evidence of AM's unilateral decision to fill the [pre-existing] order with imprinters embodying the '120

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[19] Even the panel felt obliged to temporize in a footnote stating:

> We do not hold that the purchaser must have actual knowledge of the invention for it to be on sale. (Op. 19, n.8, first sentence).

Recent compelling precedent that the disclaimed holding would be in error appears in the August 7, 1984 decision in *Kinzenbaw v. Deere & Co.*, 741 F.2d 383 (Fed. Cir. 1984):

> A commercial use is a public use even if it is kept secret.

> invention is insufficient to establish an attempt to sell without some evidence of relevant communications with the customer" (Op. 19).
>
> * * * *
>
> We merely state the obvious requirement that to place an invention on sale a manufacturer ordinarily must have some communication with its customers regarding sale of the invention or the device that embodies it. (Op. 19, n.8, second sentence)

No precedent anywhere including the cases cited at Op. 19, supports this holding.

This mercantile reading of the patent statute *derogates*

> [T]he policy underlying the "on sale" bar [which] is to prevent an inventor from holding back the secrets of his invention from general public knowledge *while at the same time exploiting it commercially.* . . . *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d 1135, 1139 (7 Cir. 1975)[20]

AM's primary "*profit*" motivation is apparent on the face of PX 12 E dated May 10, 1963 which reflects an approved retail price of $58.25 (on lots of 1 to 299) for an imprinted embodying the '120 invention, "total cost" of which to AM was $14.37.

The panel's affirmance marks the successful culmination of an AM pattern of fraudulent conduct which had its inception in the filing of the '120 patent application twenty years ago on October 22, 1964.

At oral argument, NBS stressed the PTO's repeated findings that AM wrongfully procured the '120 patent by suppression of its *own '800* patent and its *own* "on sale" bar evidence.

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[20] The Federal Circuit is in accord. See, e.g., *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147 (Fed. Cir. 1983) ("the intent of [§ 102(b)] is to preclude attempts by the inventor or his

The panel did not consider this *dispositive* fraud issue [21]—but seemingly deemed it moot because the validity of the '120 patent was sustained. This disposition *conflicts squarely* with the Federal Circuit precedent, flatly reaffirmed on April 6, 1984—two days after oral argument in this case:

> That the counts [or patent claims] of either interference may be patentable over the withheld prior art, as argued by *Cebalo*, is not relevant. *What is relevant is that the board found that a reasonable examiner would have considered such* [withheld] *prior art important in deciding whether to allow the parent application.* 37 C.F.R. § 1.56(d) (1982). See American Hoist & Derrick v. Sowa & Sons, Inc., 725 F.2d 1350, 1362 (Fed. Cir. 1984). *Driscoll v. Cebalo*, 731 F.2d 878, 884.

The panel acknowledges that in the reissue proceeding the PTO Examiner held that the '800 patent "would clearly have been a most pertinent reference" (Op. 5). The PTO Examiner also held that AM's suppressed "on sale" bar evidence was material, because as the panel notes, he "specifically rejected claim 7" on it (Op. 5).

It is clear that AM knew or should have known of the materiality of this suppressed evidence before the '120 application was filed in October of 1964. The '800 patent was solicited by AM's *own* patent lawyer employees Root and Pyle who *also solicited the '120 patent.*

With regard to suppression of its own "on sale" bar evidence, plaintiff's reply brief accurately states:

> AM also failed to disclose to the PTO its own "on sale" bar evidence, of which inventor Johnson and

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assignee to profit from commercial use of an invention for more than one year before an application for patent is filed.")

[21] The panel limits its consideration "to the two patents ['800 and '777] found in invalid" (Op. 21).

AM's executives knew (see P.Br. 30, n.47 and PX 12-K initialled for approval by AM's marketing vice president). Patent attorney Root, timely alerted by PX 12-L (see P.Br. 46), failed to discharge his duty even to make an inquiry.[45]

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[45] The facts are more egregious than those condemned in *American Can Co. v. Crown Cork & Seal Co.*, [693 F.2d 653 (7 Cir. 1982)] .... (P.Rep.Br. 19-20)

The panel's rejection of the NBS fraud claim based on suppression by AM of its own on sale bar evidence is flatly in conflict with *American Can.*[22]

The panel says that fraud on the PTO must be proved by "clear and convincing evidence" (Op. 22). NBS strongly urged at oral argument that PTO fraud should be judged by a *preponderance* of the evidence standard for the reasons fully set forth in *Herman & MacLean v. Huddleston*, 74 L.Ed.2d 548 (1983)—an issue first brought to the attention of the Court by counsel's March 28, 1984 Circuit Rule 11 letter. See item 6, page 3.

NBS forcefully urged that AM was guilty of misconduct before the district court—an issue concerning which *that court* made *no* finding whatever. Accordingly, NBS in its briefs and oral argument on appeal sought a remand with instructions that the district court consider the issue and make appropriate findings. See *Pullman-*

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[22] *American Can* is part of the established law in this Circuit which *presumes* that AM's withholding of *its own* prior art was willful and deliberate, rendering independent proof of scienter unnecessary. See *CTS Corp. v. Piher International Corp.*, 527 F.2d 95, 100 (7 Cir. 1975), *CMI Corp. v. Barber-Greene Co.*, 683 F.2d 1061 (7 Cir. 1982), *aff'g* 214 USPQ 690, 696 (N.D. Ill. 1981). This same law with which the panel's decision conflicts, condemns AM's failure to cite to the PTO its own 3,556,007 and 3,577,917 patents during the pendency of its '777 patent. See P.Rep.Br. 20.

Standard, supra, and P.Rep.Br. 16-17. The panel, like the district court, ignores the issue.

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APPENDIX I

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*
Defendants-Appellees

APPELLANTS' MOTION TO CORRECT ERRORS IN OPINION FILED SEPTEMBER 20, 1984

Filed November 5, 1984

Plaintiffs-appellants, National Business Systems, Inc., et al. (NBS), respectfully request the Court to correct the hereinafter-designed errors in its opinion filed September 20, 1984.

DESIGNATION OF ERRORS AND REASONS FOR CORRECTION

An inordinate number of errors, demonstrably prejudicial to appellants, appear in the panel opinion.

In this designation, quotation of the relevant passage from the opinion is followed by a demonstration of the error and an explanation of its prejudicial effect.

Error (1) We . . . remand for a *determination of damages.* (Op. 2)[1]

The compaints in the cases from which these appeals are taken seek, *inter alia,*

> [A] declaratory judgment that AM's patent 3,272,120 is "unenforceable for . . . misuse (App. 44a, 61a) . . . . All patent issues, *except unenforceability for misuse* were severed for a separate bench trial. . . . See the NBS brief on appeal (P.Br.) p. 1.

This Rule 54(b) appeal does *not* involve, and does not dispose of, the issue of unenforceability of the '120 patent for *misuse.*[2] That issue is not mooted by the denial of the NBS claims that the patents in suit were fraudulently procured.

Because there can be *no* effective and conclusive "determination of damaages" (Op. 2) until *after* adjudication of the issue of whether the '120 patent is unenforceable for misuse, the error is prejudicial to appellants and its correction is highly important.

In this regard, it is significant that AM, on October 22, 1984, filed a motion in the district court to schedule a pretrial conference on the issue of damages, notwith-

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[1] Unless otherwise stated, all emphasis in quotations is added.

[2] For example, the Second Affirmative Defense to AM's Counterclaim in Civil Action No. 80-C-4915 states:

> Patent Misuse
>
> 24. Each of the AM patents in suit has been and is now being misused by AM and is therefore unenforceable in equity by virtue of the implication [sic-application] and utilization of each of such patents by AM in violation of the Federal and Illinois State antitrust laws, all as alleged in paragraphs 13 through 25 and 37 through 44 of the complaint. (59a)

The complaint in Civil Action No. 81-C-6227 alleges like antitrust violations and seeks a judgment that patent "3,272,120 . . . is, in its entirety, unenforceable in equity . . ." (Prayer, Par. I, p. 30).

standing this Court's order staying its mandate. AM has refused to defer its motion until the mandate is released. On October 30, 1984, the district court deferred disposition of the AM motion until November 8, 1984.

Error (2) The *validity* of three other patents held by AM—No.*3,138,091* ('091) . . . was also determined by the district court. . . . In a prior order the court held the *'091* patent *valid* but not infringed. (Op. 2, n. 2)

The district court *did not* adjudicate the validity of the '091 patent. P.Br. 1, n 3. correctly states:

> [3] . . . An April 16, 1982 Order (DE 469) holds the '091 patent not infringed and dismisses the Counterclaim based upon it.

This order (Ex. A)[3] was entered because AM withdrew its infringement charges premised on the '091 patent just prior to the commencement of trial.

The incorrect assertion that the district court held the '091 patent valid and its incorrect implication that this followed a reasoned consideration on the merits of the validity issue are prejudicial. Their effect is to create an excuse for the district court's arbitrary denial, unsupported by fact findings of any nature, of appellants' request for costs and attorneys' fees to compensate for the vexations and harassment implicit in having to prepare fully to meet the withdrawn infringement claim.

Error (3) As the patent *examiner* remarked in 1966, "[a]lthough the use of MICR characters has greatly increased the speed and efficiency with which the imprinted forms can be sorted, a considerable amount of difficulty has been encountered in the imprinting of MICR characters on the forms." . . . (Op. 3).

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[3] The Exhibits which form a part of this motion appear at correspondingly-lettered tabs attached hereto.

The internal quotation is *not* from a remark by the examiner in 1966—but instead from Column 1, lines 40-44 of patent 3,272,120 (the '120 patent).

The error is prejudicial because it apparently is one of the bootstraps by which the panel opinion concluded that "special deference to the Patent Office [reissue] decision [holding claim 7 unpatentable] is inappropriate" (Op. 9).

Correctly viewed as the self-serving statement of an applicant for patent—to wit, the appellee AM—the quoted passage is also an admission against interest as to the narrowness of the alleged invention of claim 7. The panel, mistakenly viewing this *AM* comment as an expression by the *patent examiner in 1966* of admiration for the invention, apparently considered his later repudiation of the same invention in the reissue decisions to be anomalous and so arbitrarily chose *not* to accord the reissue decision the presumption of administrative correctness to which the law entitles it.

Error (4) After listing recent improvements in the design of imprinters and form sets, *the examiner described* the *principal* object of the AM machine: "it is *the* object of the present invention to further advance current practices of imaging form sets with characters having a high degree of clarity and outline accuracy through the use of small data recorders." (Op. 3; emphasis added)

This error has three prongs:

(a) The internal quotation is *not* something "the examiner described"—but instead from Column 2, lines 16-21 of the '120 patent.

(b) The quotation is *incorrect* in its phrase " 'it is *the* object of the present invention' . . ." (emphasis added).

The passage from the '120 patent actually states "it is *an* object of the present invention . . .".

(c) There is no antecedent for the panel's assertion that the quoted object is "the *principal* object . . .". The patent does *not* so state. The district court did *not* so find.

This error, in all of its three ramifications is prejudicial to appellants for the same reasons as Error (3).

Error (5) Accompanying and illustrating the claims in the patent were drawings showing "a preferred embodiment of the present *invention*" as a "small data recorder" with its carriage and platform holding a merchant plate and customer card. (Op. 4)

This error arises because *no device* of any nature is or could be an embodiment, "preferred" or otherwise, of the *only invention*, a "*method*", that claim 7 (the sole claim before the Court) purports to cover.

The error is seriously prejudicial because the panel's affirmance of the district court relative to validity and infringement of *method* claim 7 (Op. 9-21) is bottomed on the mistaken premise that the claimed invention is for a device.[4]

Error (6) AM sought to amend its patent by adding additional references to "prior art" . . . . (Op. 4)

AM's reissue application, *as filed*, was *not* an effort "to amend its patent". Rather, AM sought reissue of its '120

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[4] See, e.g., (i) "We think appellant erroneously minimizes the distinction drawn by the district court between the Cox printing press and the table top imprinter" (Op. 15); (ii) the reference at Op. 17 to "When the subject of invention is a machine, ..." (iii) Op. 21, n. 9 referring to "the district court's finding that the NBS *imprinter* was the equivalent of the '120 invention".

Cf. the criticism of the district court for "plac[ing] undue emphasis on the apparatus," whereas the claimed "invention consisted of a *method* of, not an *apparatus* . . ." in *Laser Alignment, Inc. v. Woodruff & Sons, Inc.*, 491 F.2d 866, 872 (7 Cir. 1974) (emphasis in original).

patent *without any change*. Its reissue application merely called the attention of the Patent Office *for the first time* to "additional [prior art] references" including several references of AM's own origination that were *un*cited during the prosecution of the original '120 patent application. P.Br. 11-12 correctly states:

> On April 27, 1978, AM filed an application to reissue the '120 patent (PX-5A) for the stated purpose of calling the '800 patent and many other items of prior art (PX-5A, Part 1, pp. 21-39) to the attention of the PTO Examiner for the first time. After *ex parte* prosecution, the PTO indicated that a reissue patent might be granted (PX-5A, Part 2, p. 696) but only after claim 2 was limited by amendment to overcome a rejection based on the '800 patent. On November 17, 1980, NBS/US filed a "petition" and a "protest" asking the PTO Commissioner to withdraw the reissue application from "issue" and to strike it from the PTO files for violation of the "duty of disclosure" set forth in 37 C.F.R. § 1.56 (App. 73a) (PX 5A, Part 2, pp. 728-735). (Footnote omitted.)

This error is prejudicial to appellants because it obscures the fact that the Patent Office decisions refusing reissue are directed to the *identical* claim 7 in suit and *not* to an *amended* claim—a fact material to the questions of issue preclusion and fraud on the PTO.

Error (7) Appellant NBS raises numerous issues on appeal which are summarized in the following five contentions:

> 1. The *district court was bound* by the Patent Office's final rejection of the reissue application. . . . (Op. 6)[5]

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[5] The district court made the same mistake in its statement that

> Plaintiffs argue that the Court *is bound* by the Patent Office's finding of anticipation . . . 546 F.Supp. at 350.

> We conclude that the district court was not *bound* by the findings of the Patent Office in the reissue proceeding . . . (Op. 23)

NBS *never* contended that the "district court was *bound by* the Patent Office's final rejection". NBS contends instead that (i) "issue preclusion" or "collateral estoppel" deprives AM of further contending claim 7 is valid and, alternatively, (ii) that such ruling, being presumptively correct and unrebutted by appellees, should stand. The error is prejudicial because it ascribes to appellants an extreme and unreasonable legal position they never espoused and thereby may have colored the panel's disposition of the contentions NBS *did* advance.

Error (8) Under the heading "IV. Effect of Patent Office Reissue Decision" pertaining both to anticipation by the Cox reference *and* to the "on sale" bar issue, the opinion states:

> Here, special deference to the Patent Office decision is particularly inappropriate because . . . the district court, having the benefit of extensive proof by expert testimony and demonstrative evidence, issued a detailed, well-reasoned opinion. . . . (Op. 9)[6]

This is a factually incorrect and legally inappropriate appellate "fact finding". Actually:

(i) The district court received *no* expert testimony" and *no* "demonstrative evidence" about the "on sale" bar issue.

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[6] The panel opinion also surprisingly states that no "special deference" is owed to the PTO decision "because the patent had been in existence for 11 years". This unprecedented statement overlooks the fact that, as the reissue decision shows, the '120 patent would never have issued in the first place if AM had discharged its duty under 37 C.F.R. § 1.56 to disclose its material "on sale" bar evidence to the Examiner.

(ii) NBS relied on the *same* deposition testimony before both the PTO and the district court.

(iii) The district court's reliance on trial testimony from Maul and Wasson allegedly "to the effect that the device embodied in Claim 7 was still in the experimental and developmental stage in the critical time period" (546 F.Supp. at 354) to support the finding that "there is no evidence conclusive on whether the designed device was reduced to practice and was capable of being produced" is *ineffective* because the panel held that finding to be "clearly erroneous" (Op. 18, n. 7). Thus, to the extent that the trial record is more extensive than the PTO record concerning the on sale issue, it *reinforces* the PTO's final rejection of claim 7 on that ground.

(iv) The district court received no "demonstrative evidence" on the issue of anticipation of claim 7 by the Cox patent.

(v) The experts *agreed* that the only *difference* between the method described by Cox and the *method defined by claim 7* is that Cox prints on a single piece of paper, not on a "form set", i.e., multiple pieces of paper interleaved with carbon paper, an undisputed fact of which the PTO was also fully aware. The PTO held this a "distinction without a difference" in its final rejection of claim 7 for anticipation by Cox. See the quotations from the PTO ruling at P.Br. 18-19. The district court made *no fact* determination concerning Cox that rested on resolution of conflicting expert testimony.[7]

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[7] The panel's conclusion regarding anticipation of claim 7 by Cox is wrong as a matter of law because based on a comparison of "the two patents"—not on a comparison of the *method defined by claim 7* with that of the Cox reference. See *Roberts v. Sears, Roebuck & Co.*, 732 F.2d 1324, 1332-3 (7 Cir. 1983 *en banc*). This was compounded by then positing the validity of claim 7 on apparatus features found in Cox, which the method claim does *not* exclude.

The error is clearly severely prejudicial since it is the panel's only excuse for preferring the district court conclusions to those of the PTO in the reissue proceeding.[8]

Error (9) NBS contends that claim 7 of the '120 patent was "obvious" *in light of pior art patents '800 and '725.* (Op. 10)

This is only a *part* of the NBS contention regarding the obviousness (35 U.S.C. § 103) of the process defined by claim 7 of the '120 patent. NBS also contended, and fully briefed—consistent with the PTO's ruling—that the claim 7 process *is obvious from the Cox reference alone* (P.Br. 23-24); P.Rep.Br. 9-11).

NBS is entitled to an adjudication of this dispositive issue—and is deprived of a full and fair hearing by the panel's failure to address it.

Error (10) Under the heading "B. Anticipation", the Court's opinion states:

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[8] This error is apparently consequent from the assertion at D.Br. 21 that "the trial court . . . had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceeding". The untruth of this representation was exposed at P.Rep.Br. 2, n. 5—which the panel ignored—as follows:

> Defendants' bald assertion that "the trial court . . . had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceedings", (D.Br. 21), is unsupported. Defendants do not controvert that they "relied upon essentially the same evidence and arguments" (P.Br. 16) in both tribunals. The record is clear that so much of the "live testimony from expert witnesses" (D.Br. 21) as relates to Cox added *nothing* to the PTO record and afforded no "demeanor" or "credibility" questions for the trial court to resolve. "Expert" testimony about on sale bar was not offered by either party. *No* "in-court demonstrations" (D.Br. 21) were pertinent to Cox or on sale bar issues. PTO briefing was as comprehensive as in the district court. See PX 5A and PX 5AA. (emphasis in original; P.Rep.Br. 2, n. 5)

> It is clear from the testimony of both parties' experts that the Cox device was intended for *printing* an ink impression on a single sheet of paper rather than *imprinting* from embossed plates to a carbon form set. The same testimony discloses that the rotation of the rollers on the Cox device differed from those in the imprinter and that the "bed" of the printing press moved during the printing process in contrast to the stationary bed of the imprinter.[6] The district court *cited this testimony in its opinion and plainly relied on the foregoing differences between the two patents when it distinguished the Cox device as a "printing press."* . . . (Op. 15-16) (emphasis on the words "printing and "imprinting" in original)

Per contra, footnote 6 of the opinion includes testimony which the district court *did not cite*. The footnote opens with the words:

> Roy VanDerLinden, appellant's expert, was cross-examined concerning the Cox patent as follows . . . .

What "follows" is *two* excerpts from VanDerLinden's testimony. Only the *first* excerpt from R. 1150, lines 5-15 which appears *before* the ellipses in note 6, was "cited" in the district court opinion.[9] A *second* excerpt, which appears *after* the ellipses in note 6, is from R. 1151, l. 8-1152, l. 6 and was *not* cited by the district court.

This error is highly prejudicial. It is the foil for the panel's holding that claim 7 is not anticipated because "appellant erroneously minimizes the distinction between the Cox printing press and the table-top imprinter" (Op. 15)—a holding that rests in turn upon positing the validity of claim 7 on a plurality of "differences" between the devices described in the two *patents*, none of which is excluded from the *method* recited in claim 7.

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[9] The district court's opinion discusses "A. '120 Anticipation" at 546 F.Supp. at 350-51. It cites "(R. 1146-47, *1150*)" at 546 F.Supp. at 350.

Error (11) Also under the heading "B. Anticipation", the final paragraph of the Court's note 6 (Op. 16) states:

> On redirect, VanDerLinden was asked whether he found "any reason to criticize" NBS's *contention that the Cox patent anticipated the '120 patent.* The generality of the question and his answer , "No, I do not," did little to mitigate the damage of the cross-examination or to enhance his credibility. The district court justifiably relied heavily on the cross-examination testimony.

This statement mischaracterizes the record. VanDerLinden was *not* asked about a mere anticipation "contention" made by NBS, *but about a document* (Ex. 8) *setting forth an analysis adopted by the PTO Examiner as his own fact finding in support of his holding in the reissue proceedings that Cox anticipates claim 7.* The pertinent testimony actually states:

> Q I now show you Page 3 through 6 in the protest of February 17, 1981 [Exhibit B] which purports to analyze the Cox Patent in the context of Claim 7 and I ask if you would just read that to yourself, please. It begins here on Page 3 and it winds up here on Page 6.
>
> Are you finished?
>
> A Yes.
>
> Q Do you find any reason to criticize that analysis in that application of the Cox reference to Claim 6 [sic 7]?
>
> A No, I do not. (R. 1211, ll. 7-16)[10]

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[10] P.Br. 18-19 stated, without challenge:

> The Primary Examiner adopted—as his own findings, showing identity between Cox and claim 7—a "complete analysis" supplied by protestor. In Paper No. 41, mailed February 24, 1981, the Examiner ruled:
>
> > "Claim 7 is rejected under 35 USC 102 as fully anticipated by Cox. A *complete analysis of this rejection is presented*

There was *no recross* examination whatsoever.

On this record the panel's deprecation of VanDerLinden's evidence based on "[t]he generality of the question and his answer 'No, I do not' " is unwarranted. Notably, the "analysis" acknowledges that the claim 7 preamble specifies a form set (set of paper forms), whereas Cox prints on a sheet of paper. The experts agreed that there is no other difference between Cox and the *method* defined by claim 7.

The panel's statement that VanDerLinden's testimony concerning the analysis "did little to mitigate the damage of the cross-examination or to enhance his credibility" (n. 6, Op. 16) is another unsupported appellate fact finding. The district court did not find that VanDerLinden's relevant direct eivdence was "*damaged*" by his cross-examination or that his credibility was impugned by

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on pages 3-6 of the protest of February 17, 1981, and this analysis is incorporated herein." (emphasis added) (PX-5a, part 3, pp. 1035-1041)

This "analysis", App. I 18-19, separately correlates the claim's preamble and each of its operative steps to the anticipatory Cox specification. In its response, AM focused solely upon the first item of the "analysis" urging that it shows a patentable difference. This first item correlates "making an impression on a form set" in the preamble of claim 7 to "the Cox device makes an 'impression' on sheets of paper". AM did not dispute any other details of the analysis showing *all* of the operative steps of the claim 7 method to be old, *in combination*, in Cox.

The primary Examiner rejected AM's form set/sheet of paper quibble. In Paper 43, mailed March 30, 1981, he ruled:

> "Claim 7 is again rejected under 35 USC 102. . . . Applicant's arguments are based upon the presence of the term 'form set' in claim 7. These arguments are not persuasive . . ."
>
> * * *
>
> "Any perceived variance between forms is a distinction without a difference . . ." (PX-5A, Part 3, at 1064). (Emphasis in original)

his redirect evidence accepting the analysis. The panel was not free to make such a new—and clearly erroneous —finding.

Error (12) Finally, although the district court made no specific finding of the contemporaneous level of skill in the pertinent art, *it is clear from the several references to that guideline in the court's opinion* that it resolved the level of ordinary skill in the art based on the expert testimony and the prior art itself. . . . (Op.. 11)

The statement that there are "several *references to* that [contemporaneous level of skill in the pertinent art] guideline in the [district] court's opinion" is wrong. There is only *one* such reference, specifically in the district court's quotation from *Graham v. John Deere Co.* at 546 F.Supp. at 351.

This error is prejudicial because it supports the panel's contrary-to-fact conclusion that the district court somehow *did* comply with the rule in *Roberts v. Sears Roebuck & Co.*, 723 F.2d 1324, 1334 (7 Cir. 1983; *en banc*) that "the level of skill in the pertinent art *must* be determined".

Error (13) This Court's opinion states:

> The NBS expert testified that it would have been "very, very obvious" to combine the prior art to produce the device disclosed in the '120 patent. As we noted in *Dual Mfg. & Engineering v. Burris Industries*, 619 F.2d at 666 n. 4, however, "we cannot treat the witness as testifying as an expert witness on a disputed factual matter for he was giving an opinion on the ultimate legal question for decision, that of obviousness." (Op. 12, n. 4)

The second sentence of the quotation should be deleted because the *Dual Mfg.* case is apposite only to presumptions arising out of general verdicts in *jury* cases.

Here, the NBS expert testified in a *non-jury* case *as an expert* on the ultimate legal issue for decision, to wit: the question of obviousness. The testimony was admitted under Evidence Rule 702.

The panel's reliance on inapposite case law was prejudicial and led to its disregard of dispositive, properly admitted expert testimony.

Error (14) Under the heading "D. 'On Sale' Bar", the panel states:

> Four *essential* facts are undisputed:. . . (4) the first *actual sale* of the machines to customers *occurred sometime in late April or early May, 1964.* . . . (Op. 18)

The date of the "first actual sale" is neither "essential" nor "undisputed". The "essential fact" is *when* the invention was placed "on sale". The district court made no finding as to the date of the "first actual sale". There is no record to show when it occurred.[11] It is not the function of the panel to make *de novo* fact findings.

Error (15) Also under the heading "D. 'On Sale' Bar", the panel states:

> There is also evidence that prior to October 22, 1963 AM had tentatively assigned at least a wholesale price to the imprinters. . . . (Op. 18)

The characterization of the price as "wholesale" and "tentative" is another incorrect and unauthorized appellate finding. The district court did not so find. The prices as set forth in PX-12E (Ex. C) are "*Retail* Selling Price[s]". PX-12E, under the printed legend "Prices and

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[11] The district court did say that "PX 12L discloses that the 'first batch' of machines (devices embodied in claim 7 of the '120 patent) had been shipped on an order for the Association of American Railroads. The document was dated May 25, 1964" 546 F.Supp. at 354. However, PX 12L does not state the shipment *date.*

Commission Approved by" bears the manuscript initials "BLM" of AM's "vice president—marketing", B. L. Meyers. These "approved" "retail prices" were not "tentative" but remained in effect until cancelled in 1967 by PX-12N. See P.Br. 30, n. 47.

The panel apparently overlooked PX-12E which fixed the retailing selling price for the imprinters disclosed in the '120 patent, and instead considered only the reference to a "tentative" price of "approximately $40" quoted in 1962, to which reference is made in the first paragraph of PX-12H. The error is understandable in view of the invitation to just that oversight implicit in the reference at D.Br. 28 to "a 'tentative' price of 'approximately' $40 quoted to a customer in June 1962".

Error (16) Op. 19 refers to "an existing general order for imprinters". There is no support in the record for the panel characterization of the order as "general". The district court did not so find. The panel apparently deemed the designation important in the context of its equally unsupported implied finding that there was no "communication with its customers regarding sale of the invention or the device that embodies it" (Op. 19, n. 8). If the panel thought that either the characterization of the order as "general" or the lack of "some communication" with AM's customers was material to its disposition of the on sale bar issue, it should have remanded the case to the district court to make such findings. The opinion should be corrected accordingly.

Error (17) Op. 21 states:

> The NBS imprinters print from one plate on the first stroke and a second plate on the return stroke. *NBS argues that claim 7 is limited to imprinting "from different portions of the same embossed printing device" on opposite strokes.* The court, however, specifically credited the testimony of AM's expert that "at the time the '120 invention was developed,

> up to the present, the imprinting art has used printing device to mean a credit card and station plate either separately or in combination." Thus, it is clear that claim 7 encompasses the variation practiced by NBS. . . (footnote omitted)

What "NBS argues" is *mis*characterized by the cropped quotation from the NBS brief included in the emphasized sentence.

The entirety of the relevant NBS argument states:

> The most cursory reference to the '120 patent specification makes clear that claim 7's limitation to imprinting from *different portions* * of *the same* * embossed printing device is *essential* * to the disclosed invention, because at the heart of the problem addressed—*i.e.*, making sharp, clear machine-readable imprints of machine code information from a single credit card also containing lines of ordinary embossing. [footnote omitted] In describing how *one group of machine code characters is imprinted in isolation by a narrow platen moving in one direction and the remaining characters by a wider platen moving the the opposite direction*, the specification stresses that:
>
> > "[i]n particular one of the platens is arranged to come into contact with a single line only of MICR type . . . without reaching any adjacent line" so that one obtains "a clear, dense image of the MICR type on the form . . . free of ragged outlines and . . . [with] the degree of clarity and sharpness required for automatic reading" (Col. 2, l. 41-46). (P.Br. 39-40; footnote omitted; * indicates emphasis in original)

The error is seriously prejudicial because the testimony of AM's expert also quoted at Op. 21 (that "the imprinting art has used printing device to mean a credit card and a station plate either separately or in combination") is simply *not* relevant to the "one line printing"

argument NBS *actually* made. Under *that* argument it makes *no* difference whether one or two—or more—printing devices are used because printing *a machine code line in isolation is* a *prerequisite* to any finding that claim 7 is infringed.[12]

Error (18) The district court, then, correctly held that, despite minor variations, the NBS imprinters performed the *same* function and achieved the same results as the invention disclosed in claim 7. (Op. 21)

The district court simply did *not* so hold. If "the NBS imprinters performed the *same* function"—i.e., process—as the "invention disclosed in claim 7", a *process*, the district court would necessarily have held the claim literally infringed, and could not have reached the doctrine of equivalents. An accurate quotation of what the district court *did* say, albeit incorrectly because of its refusal to read claim 7 in light of the invention defined in the specification, appears at Op. 19.

Error (19) In its opinion the district court considered in detail each assertion of fraud. . . . (Op. 22)

This statement is incorrect. The district court, in derogation of *Pullman-Standard v. Swint*, 456 U.S. 273, 291, refused to consider at all, and so absolutely disregarded and made no findings concerning, the entirety of NBS' assertions that fraud had been perpetrated on

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[12] *Cf.* the statement of this Court in *McCandless v. The Great Atlantic and Pacific Tea Co., Inc.*, 697 F.2d 198, 202 (7 Cir. 1983):

> *In support of his argument on this point to the district court counsel misquoted a case by omitting a sentence that undercut his position.* We have previously stated that, "A sloppy mistake in a quotation might be at least understandable on the part of a careless attorney. But a deliberate misquote calls for stong condemnation. *Quality Molding Co. v. American National Fire Insurance Co.*, 287 F.2d 313, 316 (7th Cir. 1976), cert. denied, 368 U.S. 826, 82 S.Ct. 45, 7 L.Ed.2d 29. . . . (emphasis added)

the district court *itself* by AM and its counsel. Instead of affirming without reference to this dereliction by the district court, the panel should have remanded for proper findings below.

Error (20) [P]articularly absent is evidence that AM knew or should have known of the materiality of the omitted prior art at the time of application. . . . (Op. 23)

In the context of the '120 patent, the district court made no such finding, and the panel's statement is clearly wrong. As regards the '120 patent, the most pertinent prior art reference was AM's *own* '800 patent "solicited by [its] employees Root and Pyle, who also solicited '120" (P. Rep.Br. 19).

Moreover, "AM also failed to disclose to the PTO its own 'on sale' bar evidence, of which inventor Johnson and AM's executives knew (see P.Br. 30, n. 47 . . .)" (P. Rep. Br. 19).

The district court did state, with respect to the '777 patent, that NBS "failed to pro&ve bad faith or deceptive intention on the part of defendants in procuring the patent from the Patent Office" (App. 37a). However, the district court's statement is clearly erroneous for the reasons set forth in P.Br. 48-50 and P. Rep.Br. 20-21, to which the panel did not advert.

Error (21) Op. 23, n. 10 states:

> In its reply brief NBS argued cursorily that the district court erred in issuing an injunction against further infringement. It now appears this issue is moot in the absence of further proceedings in the Patent Office. . . .

At oral argument, the fact that the injunction issue was moot was specifically addressed and acknowledged by NBS counsel with reference to counsel's letter of March

27, 1984 to the Seventh Circuit Clerk calling attention to that circumstance.

So much of the second sentence of the foregoing quotation as refers to "absence of further proceedings in the Patent Office" is meaningless. No such "further proceedings" can revive the finally-expired '120 patent.

Error (22) Op. 21-22 addresses "the NBS request for . . . costs attributable to the two patents found invalid". The discussion, however, considers "costs" only in the context of 35 U.S.C. § 285. It does not consider the separate NBS claim that it is entitled as a matter of right, to "costs" under Rule 54(d), an issue which the district court failed to address. The district court's ruling is therefore in conflict with settled law and should have been reversed under *Delta Air Lines, Inc. v. Colbert*, 692 F.2d 489, 491 (7 Cir. 1982) for reasons stated at P.Rep. Br. 16.

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APPENDIX J

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

NATIONAL BUSINESS SYSTEMS, INC., *et al.*
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*
Defendants-Appellees

APPELLANTS' MOTION FOR SANCTIONS

Filed November 5, 1984

Appellants (NBS) request the entry of an order imposing sanctions, including the vacation of this Court's judgment and an award of costs and attorneys' fees incurred by NBS in connection with this appeal, including this motion, upon appellees (AM) and their counsel for professional misconduct in connection with this case.

This motion is brought pursuant to 28 U.S.C. § 1927, 35 U.S.C. § 285, Federal Appellate Rule 46(c) and the inherent powers of this Court.

This motion is supported by the record in this case and by the accompanying memorandum.

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APPENDIX K

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*
Defendants-Appellees

MEMORANDUM IN SUPPORT OF APPELLANTS' MOTION FOR SANCTIONS

Filed November 5,1984

In its brief and at oral argument, AM has repeatedly mischaracterized the record. The ensuing list—which is not exhaustive—includes several instances where the very face of its opinion shows that the panel was influenced by AM's misrepresentations. Indeed, the disposition of this appeal may well have been different *if* AM's counsel had told the Court the truth. The result is that the Court has been imposed upon, there has been a breakdown in the judicial process and the public policy of the patent system has been abused.

Item 1:

Under the heading "IV. Effect of Patent Office Reissue Decision", the panel rejected the NBS contention that the Patent Office reissue decisions, in effect invalidat-

ing claim 7, were presumptively correct. This rejection of the NBS contention is based on the panel's finding that:

> Here, special deference to the Patent Office decision is particularly inappropriate because the patent had been in existenec for over 11 years and *because the district court, having the benefit of extensive proof by expert testimony and demonstrative evidence* . . . (Op. 9)

This statement by the panel paraphrases and clearly was induced by a *mischaracterization of the record in AM's brief*:

> Finally. the trial court in this action had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceedings. The trial court heard live testimony from expert witnesses—testimony given pursuant to the Federal Rules of Evidence and subject to cross-examination. It observed the demeanor and judged the credibility of those experts. It observed the operation and construction of over 50 physical exhibits in 5 separate in-court demonstrations. And it had the benefit of exhaustive post trial briefs and proposed findings filed by both parties. (D.Br. 21)

Contrary to this statement in the AM brief—as P.Rep. Br. 2, n. 5 also shows:

(i) The district court received *no* "expert testimony" and *no* "demonstrative evidence" about the "on sale" bar issue.

(ii) NBS relied *on* the *same* deposition testimony about "on sale" bar before both the PTO and the district court.

(iii) The district court's reliance on trial testimony from Maul and Wasson "to the effect that the device embodied in Claim 7 was still in the experimental and developmental stage in the critical time period" (546 F. Supp. at 354) to support the finding that "there is no

evidence conclusive on whether the designed device was reduced to practice and was capable of being produced" is *ineffective* because the panel held that finding to be "clearly erroneous" (Op. 18, n. 7). Thus, to the extent that the trial record is more extensive than the PTO record on the on sale issue, it *reinforces* the PTO's final rejection of claim 7 on that ground.[1]

(iv) The district court received *no* "demonstrative evidence" on the issue of anticipation of claim 7 by the Cox patent.

(v) The district court made *no fact* determination concerning Cox that rested on resolution of conflicting expert testimony.[2]

Item 2:

Under the heading "B. Anticipation [of claim 7 of the '120 patent]" the panel cites in its footnote 6, page 15, *after* the ellipses, VanDerLinden's testimony from R. 1151, l. 8-R. 1152, l. 6 and states "[t]he district court cited this testimony . . . and plainly relied on the foregoing differences between the two patents. . . ." (Op. 15-16)

In fact the district court did *not* cite the testimony quoted *after* the ellipses in the panel's note 6, but *only*

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[1] Actually Wasson's testimony to such "effect" was suborned perjury insofar as it was sworn to be on "personal knowledge". See Item 9, *infra*, p. 24.

[2] The Cox patent *is* for a "printing press" as its very title states (PX 73, Tab A). This fact was never disputed. It was fully aired before the PTO and found by the Examiner to be inconsequential. See PX 5A, Part 3, 1051-1055; 1063-1064. The district court nevertheless surprisingly stated, inviting false inference, that "VanDerLinden's cross-examination indicates that Cox . . . discloses a printing press and not a table top imprinter as embodied in claim 7" 546 F.Supp. at 350; and that "VanDerLinden's identification of the device embodied in the Cox patent as a printing press supports this Court's conclusion that there is . . . no anticipation".

that which appears *before* the ellipses. See 546 F.Supp. at 350 "(R. 1146-47, 1150)". This *post* ellipses testimony which the district court did *not* cite is the *sole* basis for so much of the panel's opinion as states:

> The same testimony discloses that the rotation of the rollers on the Cox device differed from those in the imprinter and that the "bed" of the printing press moved during the printing process in contrast to the stationary bed of the imprinter. (Op. 16; footnote omitted).

This error in the panel opinion was induced by flatly *false* representations in the *AM brief*:

> The record shows, moreover, that Mr. VanDerLinden, acknowledged even more differences *between the Cox patent and claim 7*. He admitted that . . . the Cox patent relates to a printing press, not a credit card imprinting method. And he admitted that the Cox patent uses movable rollers and a movable bed for printing activity, and that during such printing activity, each of the rollers is continuously rotated in opposite directions, as shown in patent Figures 12 through 15 . . . (D.Br. 24)[3]

To support this false representation, D.Br. 24-25 quotes the *same* testimony from "(Tr. 1151-52)" as that which appears *after* the ellipses in the panel's note 6. The AM brief then states:

> The trial court found those differences to be substantial, and on the strength of that finding, correctly concluded that claim 7 was not anticipated by the prior art. (D. Br. 25)

This statement is also flatly false. The district court specifically referred only to a non-existent "printing

---

[3] AM's representation that the listed "differences" distinguish the *method defined by claim 7* from that of the Cox *patent* is a lie. Claim 7, particularly as construed to be infringed, excludes none of them.

press55 vs. "table top imprinter" difference between Cox and claim 7.

But for these ramified mischaracterizations of the record in AM's brief, the panel may well have agreed with the PTO, as it should have, that claim 7 is invalid because anticipated by Cox.

Item 3:

The panel's disposition of the question of infringement under the doctrine of equivalents is wrongly based on a cropped quotation from pages 38-39 of the NBS brief—

> NBS argues that claim 7 is limited to imprinting "from different portions of the same embossed printing device" on opposite strokes. (Op. 21)

—omitting the key NBS argument point that *undercuts* the panel ruling.[4]

---

[4] In context, the fragment of the NBS argument quoted by the panel states:

> The most cursory reference to the '120 patent specification makes clear that claim 7's limitation to imprinting from *different portions* * of *the same* * embossed printing device is *essential* * to the disclosed invention, because at the heart of the problem addressed—*i.e.*, making sharp, clear machine-readable imprints of machine code information from a single credit card also containing lines of ordinary embossing.[62] In describing how *one group of machine code characters is imprinted in isolation by a narrow platen moving in one direction and the remaining characters by a wider platen moving in the opposite direction*, the specification stresses that . . . (quotations from '120 patent, Col. 2, l. 41-46 omitted; * indicates emphasis in original)

---

[62] . . . The contention of NBS is that the sole invention described in the '800 and '120 patents is to imprint a machine code line of . . . characters in isolation from other closely spaced lines of embossing on a printed [sic printing] device . . . and that the accused imprinters do *not* so function and hence do not infringe . . . (P.Br. 38-39)

D.Br. 13 advances an analogously cropped quotation from the very same sentence taken from P.Br. 38-39:

> NBS's argument that the doctrine of equivalents should be ignored and claim 7 of the '120 patent limited to a *single* form of "opposite stroke" imprinting (P.Br. 41—using a "single credit card" containing different lines of information (P.Br. 38-40)—is simply contrary to the '120 patent itself and the credible evidence presented below. (emphasis in original)

Defendants apparently thus induced the panel to posit its infringement ruling on an argument NBS never made while rejecting the sound argument NBS did make.

Item 4:

The panel's affirmance—albeit on an erroneous "substantial evidence" legal standard—of the district court's infringement by equivalents ruling, was consequent from the knowing exploitation in the defendants' brief of a district court error plain on the face of the record.

(i) The district court, in route to finding infringement by "equivalents" said:

> Maul further testified that, at the time the '120 invention was developed, up to the present, the imprinting art has used printing device to mean a credit card and station plate either separtely or in combination (R 1472-73). Plaintiff's experts offered no contrary evidence to Maul's testimony on the meaning of "printing device" in the imprinting art. Additionally, Williamowsky's direct testimony that an embossed printing device means only one plate (R. 1266) is contradicted by his cross-examination testimony, in which he admitted that the device in the '120 patent drawings could print from two printing devices together, namely a credit card and a station plate (R. 1348). 546 F.Supp. at 349.

(ii) P.Br. 41-42, including notes 66 and 68, demonstrates that the district court's finding that Williamowsky "contradicted"" his direct evidence on cross-examination is "clearly erroneous".

(iii) Defendants' brief, instead of candidly acknowledging the district court's error as it should have—exploits it and so misled the panel. The defendants' brief states at p. 6:

> Most importantly, [the trial court] carefully assessed the credibility of the witnesses who testified at trial—finding . . . (. . . NBS's not credible) *on some issues* (App. 8a . . . [546 F.Supp. 349] . . . . As an example, the trial court found at one point in its opinion that NBS's expert Williamowsky's direct testimony was flatly contradicted by his cross-examination testimony (App. 8a [546 F.Supp. 349]).

On page 9 the defendants' brief states that the trial court's finding of equivalence is "especially appropriate for application of the 'clearly erroneous' standard". At pages 10-11 that brief quotes the passage from the district court opinion involving the imagined contradiction of Williamowsky's testimony and then states:

> In the end, the trial court—based upon what it saw and heard—simply chose to believe AM's expert:
>
> > "The Court rejects plaintiffs' expert testimony, and accepts defendants' expert testimony to the effect that the NBS imprinters are 'the structural equivalent of the device described in claim 7 of the '120 patent and perform the same function, in substantially the same way, to achieve the same results, even though they differ in form or shape. . . . Defendants have carried their burden of proof as to infringement." (App. 8a [546 F.Supp. at 349]).

(iv) These representations in the defendants' brief were swallowed whole by the panel—while totally ignoring the

demonstration at P.Br. 41 that there is, in fact, *no* contradiction in the involved Williamowsky testimony.

This error—induced by the failure of the defendants' brief to candidly advise the panel that the contradiction did not exist—importantly influenced the panel's erroneous affirmance of the infringement by equivalents ruling below.

As explained in substance at P.Br. 41, the district court confused Williamowsky's testimony at R 1266 concerned with the *meaning of the expression "printing device" in claim 7* with his testimony at R 1348 that simply acknowledges what is shown on the face of the drawings—i.e., that Figure 1 of the '120 patent includes both a credit card and a station plate.

Because of the importance of the matter, the *entirety* of Williamowsky's direct expert testimony construing claim 7 is quoted:

> Q Mr. Williamowsky, I show you a copy of Patent 3,272,120 which has been marked AX-1. Have you studied that patent, and with particular reference to Claim 7, in light of the specification and the file history, with a view to reaching an understanding of the proper scope with which Claim 7 is entitled?
>
> A Yes, sir.
>
> Q Have you reached such a conclusion?
>
> A Yes, sir.
>
> Q What is that conclusion?
>
> A The conclusion is that you have a platen at one narrow portion, one wider portion, where the narrow portion will only print one row of—will print one row going in one direction and that the other one will print the other rows going in the reverse direction.
>
> Q Have you formed an opinion based on your study of that patent and its specification as to whether or not that claim properly includes, meaning

Claim 7 of the Johnson Patent, properly includes within its scope an imprinter which is designed and functions in the manner described in the agreed on Facts 4 through 7 of the pretrial order?

A It does not.

Q Would you explain why?

A Well, if we go into the *claim*, we have to start with "an embossed printing device" which is in the singular. And that's—and then coming on down to Column 8, he says:

> ". . . rolling one of the platens in printing relation to one portion of the printing device with the other platen in non-printing relation to another portion of the printing device. . ."
>
> And he then repeats that in the reverse direction.

A Why do you focus on the phrase "the printing device"?

A Because it is in the singular, it is intended to read on, and in fact does read on the card as shown in Figure 6.

Q Do you understand it to read on, properly to read on a combination of two or more printing devices?

A No, sir, it would not.

Q Would you look at Figure 1 of that patent, please. Do you see a station plate indicated at S on that Figure 1?

A Yes, sir.

Q What part of the platen, two-part platen, rolls over that station plate?

A The wide roller.

Q What if anything does the station plate have to do with whether or not the invention is realized in the use of the imprinter?

A Nothing, because the invention that they are trying to achieve here is to have a hand-operated

printer wherein the machine-readable characters, that is, a single line, is printed and comes out clear in the formset.

Q Have your reviewed the specification of the '120 patent to find out whether or not the specification supports your views as stated?

A Yes, sir. (R. 1264, l. 16-R. 1266, l. 25; emphasis added)

* * * *

Q Do you consider that Claim 7 is entitled to a scope of equivalence which would cover imprinters which are designed and function in the manner described in agreed facts 4 through 7 of the pretrial order? And if not, why not?

A Because then you would not be operating it for the purpose of the patent. And that is to avoid a smudginess or an uneven take-off of the single line of machine—of magnetic ink characters that is on the card.

Q Do you consider, therefore, that an imprinter facts 4 through 7 of the pretrial order falls within which operates in the manner described in agreed the legitimate scope of and infringes Claim 7 of the '120 patent?

A No, sir, it does not. (R. 1267, l. 17-R 1268, l. 5)

There is *no* contradition of this *expert* testimony on Williamowsky's cross-examination at R 1348 which is concerned not with an interpretation of claim 7, but with Fig. 1 of the '120 patent:

Q Do you agree that the Johnson patent illustrates a data recorder or imprinter with both a credit card and a station plate and a dater? I invite your attention to *Figure 1.*

A Yes, sir.

Q Can we agree that in the right-to-left stroke—strike that.

> Can we agree that on one of the printing strokes, and specifically the one by the roller closer to the operator, that *the* [*non-MICR*] *data on the credit card relating to name and address* plus the data on the station plate and perhaps the data on the dater are imprinted on the formset?
>
> A Well, at least the data on the station plate.
>
> Q As well as the *other* data [i.e., non-MICR data] on the credit card?
>
> A Yes, they are imprinted by the wide roller.
>
> Q So even in the illustrated and described form of the invention there is a credit card and a station plate used, correct?
>
> A Yes. (R 1348, ll. 5-24; emphasis added)

In short, consideration of Williamowsky's testimony *in context* demonstrates that (i) there was no *contradiction* as incorrectly stated by the district court's opinion as AM counsel certainly knew when he exploited that error in the AM brief (ii) the panel was consequently misled.

Item 5:

In the prior art, all *three* of the lines of embossing on a plastic credit card—i.e., the card holder's name and address and account number, the latter usually in OCR font—were *simultaneously* imprinted with one imprinter platen roller.[5]

As the panel notes, the alleged invention described in the '120 patent resulted from "the American Bankers decision to adopt. . . (MICR symbols) for imprinting deposit slips" because the "imprinting of the MICR characters" simultaneously with other lines of embossing on

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[5] See e.g., P.Br. 4-5. At trial AM coducted what turned out to be a bad faith demonstration with an NBS imprinter, AX 28, which it denominated a "prior art" imprinter (D.Br. 39) which prints all three lines of embossing from the credit card with one roller on one stroke.

the same card[6] encountered difficulties due to insufficient "clarity and outline accuracy" in the printed MICR characters.

It is *that problem* which the '120 *invention* purports to solve—*by printing the MICR line of embossing on the card in isolation from other lines of embossing on the same card.*[7]

There is *no* reference whatever in the panel opinion to the printing in isolation solution to the problem of producing machine readable MICR (or OCR) characters from a card having adjacent lines of embossing which is the *only* invention that the patent discloses. The panel's infringement and validity rulings are therefore *all flawed* for want of *any* determination of the *inventive features* of claim 7 *against which both* the prior art *and* the accused NBS imprinting method *must* be judged if any informed decision is to be reached.

The *reason* for the panel's failure to appreciate the *true* nature of the '120 invention is clear—AM's brief *misled* the panel by *cropped quotations* from the '120 patent specification which omit key passages fatal to AM's position. D.Br. 3 states:

> It explains the practical significance of the dual platen/opposite stroke method defined in claim 7:
>
> > "According to the present invention the foregoing objects are obtained by providing a data recorder for imprinting . . . from a printing plate having *two* distinct groups of embossed characters thereon. The data recorder is pro-

---

[6] NBS has not contended that a "printing device" must be a single credit card; the wide platen roller can print any number of lines of embossing from as many cards or plates as may be desired without departing from the alleged invention.

[7] The disclosure and claims of the '120 patent explain that the alleged invention, although specifically addressed to MICR, also includes printing an OCR line of embossing in isolation from cards on which OCR characters appear.

vided with dual roller platens which are independently operative to imprint one group of characters with one of the platens when the platens are moved in a first direction across the form, and to imprint the other group of characters with the other platen when the platens are moved in the opposite direction across the form." (AX-1, col 2, lines 29-38)

* * * *

Omitted at D.Br. 3

[*In particular one of the platens is arranged to come into printing relation with a single line only of MICR type and to roll therealong from end to end without reaching any adjacent line of type.* [Col. 2, ll. 38-41]]

"The uniformity of the pressure thus applied. . . provides a clear, dense image of the MICR type on the form, which image is free of ragged outlines and has the degree of clarity and sharpness required for automatic reading." (AX-1, col. 2, lines 41-46)[8]

The following is another quotation from D.Br. 3—*followed by the very next sentences of the '120 patent specification omitted by AM*:

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[8] This distortion of the record by a cropped quotation from the '120 specification, omitting a passage that undercuts AM's position, was strongly pressed at the oral argument, tape of which has been lost since shortly thereafter, based upon an enlarged three by five feet reproduction of the patent text clearly evidencing the omission and used as a visual aid. As Judge Pell stated, writing for the court in *McCandless v. The Great Atlantic and Pacific Tea Company, Inc.*, 697 F.2d 198, 202 (7 Cir. 1983) in similar circumstances:

> Wooley offered no explanation for the misquote and, under the circumstances, we think that this is strong proof that he was aware of the weakness of his position.

Like circumstances here equally condemn AM's counsel.

[The '120 patent] expressly recognizes that the invention has application to a printing device that includes both a credit card and a station plate:

> ". . . it will be appreciated that platen roller 66 is effective to imprint the form with the embossed data such as TC on plate P, as well as from the station plate S and the dater." (AX 1, col. 5, lines 66-69)

Cmitted at D.Br. 3

> [The imprinting of these data takes place when the platen carriage is moved from left to right as viewed in FIG. 1, during which time [*narrow*] platen 88 is raised. The return stroke of the platen carriage raises [*wide*] platen roller 86 out of printing engagement with the form and the printing devices and, at the same time, lowers [*narrow*] platen roller 88 into printing engagement with the form to effect imprinting *from the embossed MICR characters on plate P.* [Col. 5, l. 69-Col. 6. l. 2]] [9]

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[9] The following is a reproduction of figures 3 and 6 of the '120 patent specification:

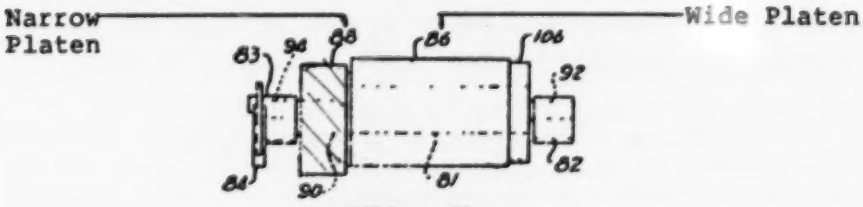

Fig.3

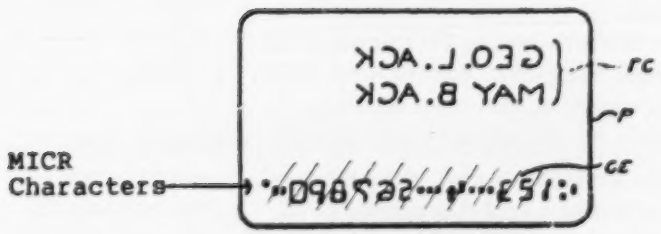

Fig.6

Item 6:

The panel states that 'the obviousness issue presents a very close question in this case" (Op. 12). It affirmed the district court's holding that claim 7 was "nonobvious" because it deemed that "court's opportunity to base its conclusions on live testimony [to be] critically important" (Op. 12).

That "live testimony", however, includes a BAD FAITH "*demonstration*" strongly relied upon by AM's brief.

Specifically, D.Br. 10, 29 and Addendum advance, as evidencing the merit of the alleged claim 7 invention, an imprinter demonstration put on by Maul and AM's trial counsel, Mr. Cook.

This Maul testimony is reported at R. 1479-83. The Addendum states that it reflects an "Actual demonstration comparing quality of imprinting achieve[d] with patented invention"; D.Br. 10 says that this same demonstration evidenced "the beneficial results the invention achieves"; and D.Br. 39 says that the demonstration "evidenced the significant improvement in imprinting 'sharpness' and 'clarity' achieved through use of the patented method—improvements not achieved through use of the prior art".

These statements are lies for at least two reasons: (i) the *only* imprinters of record which operate pursuant to "the patented method"—i.e., which imprint an MICR or OCR line in isolation—were *not* used in the demonstration, and (ii) as AM counsel and its expert Maul surely knew at the time, the "prior art" imprinter was *maladjusted* at the time the demonstration was made.

(i) The record includes, as physical exhibits, two AM imprinters (PX-97 and PX-98) which *do* embody the claim 7 invention because they print the machine

scannable line of embossing in isolation.[10] The demonstrations at R. 1479-83 were *not* conducted with either of these imprinters. Instead, Maul used *two NBS* imprinters, AX 28A and AX 32A, each having two rollers of sufficient width to simultaneously print all of the lines of embossing from a credit card or station plate. AX 28A—the "prior art" imprinter (D.Br. 39)—uses both rollers at the same time to print the *entire credit card* (including the OCR account number) and the entire station plate on a *single* stroke. The AX 32A imprinter —said to "use . . . the patented method" (D.Br. 39)— uses the two rollers *sequentially* to print the *entire* credit card with one roller on one stroke and the entire station plate with the other roller on the *return* stroke.

(ii) NBS (U.S. Sales Vice President Milano testified at R. 1535-37—*not* cited in D.Br. and *not* included in AM's Supplemental Appendix—that the so-called "prior art" AX 28A imprinter yielded an inferior imprint in the Maul demonstration *because it was not adjusted properly*:

> Q [by NBS counsel] Mr. Milano, I want to show you two imprinters of NBS manufacture, identified as AX-32A and AX-28A, 28A indicated as being a single-stroke two-roller imprinter and 32A, a double-stroke two-roller imprinter. And I will show you two imprints made yesterday in this courtroom, one from each of those two machines, identified as AX-28E and AX-32F. Do you se that?
>
> A Yes, I see.
>
> * * * *
>
> Q Would you examine the originals of the exhibits which are before you?

---

[10] PX 97 and PX 98 are AM Model 12-48-3 and 12-48-4 imprinters. It is "uncontested" that these imprinters embody the claim 7 invention. See P.Br. 10, n. 21, quoting PX 122, Sec. VI, p. 9, included in App. I.

A Yes, I see them.

Q Do you notice some difference in the quality of the imprint?

A Yes.

Q To what do you attribute that?

A I have to see the machine, or this could be a broken machine, a misadjusted machine.

Q Well, here are the machines in which the imprints were made. Have you looked at those machines this morning prior to—

A Yes

Q —appearing here on the witness stand?

A Yes.

Q Having done so, do you have any understanding of a reason for the difference in the imprints?

A Yes.

Q What is it?

A *The machine that made this poor imprint on AX-28-E was not properly adjusted.*

Q Is there any other matter about AX-28 which might have caused any problem?

A Not that I see.

Q *Have you endeavored to properly adjust the AX-28 imprinter?*

A *Yes, I have.*

Q *And have you, having done so, been able to make an imprint?*

A Yes.

Q I hand you some formsets, a screwdriver and station plate and ask you first have you now adjusted AX-28-A in the way in which you believe to be appropriate?

A Yes. (R. 1537, l. 10-1539, l. 8; emphasis added.)

Milano then proceeding to make an imprint (PX 141 and 142) with the properly adjusted single stroke imprinter AX 28A and imprints (PX 143 and 144) with the double stroke imprinter AX 32A (R. 1539, l. 9-1543 l. 18).

Milano then testified:

> Q Do you see any significant difference in the quality of the imprint made with the single stroke and double stroke machine, the ones that you have just made that are here?
>
> A *No, I do not.* (R. 1543, ll. 20-24; emphasis added.)[11]

D.Br. (at 10, 29, 39 and addendum) not only mischaracterizes the Maul "demonstration"; it also deliberately avoids any reference to the Milano testimony which shows the demonstration to be worthless.

There is cogent record evidence to show that the use of a maladjusted "prior art" imprinter was *premeditated* and, hence, that the demonstration was in deliberate bad faith.

Maul was permitted to testify as a technical expert because he had worked for 22 years as an AM engineer responsible for imprinter development and design. As such expert, he surely *knew* that the AX 28A "prior art" imprinter yielded poor imprints *because* it was maladjusted. Indeed, *such* knowledge by Maul—and by AM's counsel Mr. Cook—is tacitly conceded by the following, otherwise unnecessary, testimony where Mr. Cook elicited:

> Q Before we leave this imprinter, have you done anything by way of making any kind of adjustment to this?
>
> A No, I didn't touch this machine other than to operate it. (R. 1480, ll. 12-15)

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[11] The attention of the Court is also invited to Milano's cross-examination testimony (R. 1547-53) and to his redirect testimony (R. 1553-54) in which he reaffirmed the substance of his direct evidence:

> Q Mr. Cook has called your attention to lighter impressions on certain letters than others on one of these formsets. Did those make any practical difference as far as the scanning is concerned?
>
> * * * *
>
> A No. (R. 1553, ll. 16-22)

Item 7:

D.Br. 37 states:

> The patented method of claim 7 eliminated the . . . single stroke/two platen systems of the prior art. . . .

This statement is flatly false. Milano's testimony at R. 1532, l. 6 to R. 1534, l. 3 exposes the falsehood. Milano, Sales Vice President of plaintiff NBS/U.S. testified that he had "been in the business of selling imprinters in the U.S." since "1962", i.e., for "20 years" (R. 1536, ll. 4-8). He testified that he was concerned in his business "with the quality of imprints made by imprinters"; that he knew of his "own knowledge" that NBS "sells double roller one stroke imprinters today" and also sells "double roller two stroke imprinters today" (R. 1532, l. 6-1533, l. 3).

Milano further testified that there is "[n]o difference" (R. 1533, l. 7) "in the quality of the imprint made by these two kinds of imprinters"; that "each of the two kinds of imprinters" is made and sold by NBS because of "customer preference". He further testified that "generally . . . in Europe single stroke imprinters are preferred to double stroke imprinters" because "the Europeans are a lot more conservative and want to be sure that they are imprinting all the data in one stroke and not losing any of the pertinent transaction information related to a sale" "which might occur if an imprinted document with a two stoke imprinter was removed after the first stroke" (R. 1533, l. 9-1534, l. 3).

Item 8:

To insist that this Court is foreclosed by Rule 52(a), D.Br. 10, 11-13 *mis*represents that the accused method was established by Maul's in-court demonstrations.[12]

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[12] The "district court . . . observed in-court demonstrations of the accused method (Tr. 475-88)" (D.Br. 10).

"AM's expert, Mr. Maul, made an element-by-element application of each element of claim 7 of the '120 patent with each element

The district court found the method of operation of the NBS imprinters to be established by "undisputed" facts stipulated to by the parties in the pretrial order. AM counsel, Mr. Niro, made the same false representation at oral argument. Both the AM brief and its oral argument referenced this irrelevant demonstration to imply falsely that the court's infringement ruling is impregnable under Rule 52(a) because based on live testimony.

Item 9:

D.Br. 5-6 attributes some seven "charges" to the NBS brief and then states "[a]fair reading of the district court's forty page opinion demonstrates that just the contrary is true". This deprecation of the NBS brief is incorrect as to all of the alleged NBS "charges" as one example will suffice to show. Specifically the defendants' brief represents that it is not true, as NBS "charges"

> . . . (4) that the trial court relied on "unworthy declarations" and "incompetent" testimony (P.Br. 34-35), (5) that AM relied on "suborned" testimony (P.Br. 46) . . .

The unpleasant truth is, however, that all of the challenged statements at P.Br. 34-35 and P.Br. 46 are true.

The cited portions of the NBS brief are concerned with a declaration (AX 58) verified by and testimony given by AM's witness Wasson.

The '120 "on sale" bar issue involves AM's activities in Ohio in 1963, incident its offer of the claimed imprinter for sale (see App. 16a-18a). *At that time*, Wasson was an AM salesman in *Illinois*. He testified at the trial that he therefore had *no* personal knowledge of the relevant 1963 activities in *Ohio*.

In January, 1982 Wasson verified a declaration (AX 58) which AM filed in the Patent Office proceeding to reissue the '120 patent. In that declaration. Wasson swore

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of the accused method of the NBS devices—he showed an identity of means (steps), operation, and result . . ." (D.Br. 12).

falsely to personal knowledge which he did *not* have—because he was then a salesman in Illinois—of the relevant 1963 activities in Ohio. The court sustained NBS's objection on *that ground* to testimony from Wasson about occurrences in Ohio in 1963.[13]

On these facts, P.Br. 34 states:

> Wasson's alleged "rebuttal" testimony (R. 1505-1515) is incompetent. Wasson had nothing to do with the development of the "on sale" imprinters. He lacked personal knowledge of *any* of the events covered by the documentary evidence in PX-12. See note 46, *supra*, page 29 [stating that due to lack of personal knowledge, Wasson's testimony was "incompetent" under Evidence Rule 602]. (Emphasis in original.)

At trial, Wasson, *after admitting* that he *did not* have personal knowledge to which he swore in AX 58, was asked by AM counsel, Mr. Cook, nevertheless to swear to it again—*which he* did. On this record, it is stated at P.Br. 35 and P.Br. 46:

> On "rebuttal" Wasson testified, inconsistently with his own admissions at trial, that he had reviewed and saw no reason to change a declaration (PX-

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[13] R. 1506, l. 19-R. 1507, l. 5 states:

> Q Do you know what the significance of the statements in the first paragraph of Tab O, PX-12 are?
>
> MR. IRONS: Your Honor, this witness was a senior salesman in Evanston, Illinois at the date of this [PX 12-O] document [dated "9-28-63"]. He has no current knowledge about it at all and I object.
>
> THE COURT: I am going to sustain the objection, Mr. Cook, yes.
>
> BY MR. COOK:
>
> Q During 1963-64 time period, where were you actually employed by AM?
>
> A I was a senior salesman in Evanston, Illinois.

Nevertheless, D.Br. invites the Court to believe that Wasson had "personal knowledge" of the relevant 1963 activities in Ohio. See, e.g., D.Br. 27, n. 12.

> 5AA, Tab 24) filed in the PTO reissue proceeding to counter the "on sale" evidence [R. 1513, l. 21-1514, l. 4].[14] That *unworthy* [emphasis added] declaration, separately introduced as AX-58, *mis*-represents "under penalty of perjury" that Wasson "has *personal knowledge of* and can testify to *the following statements*". The truth is that Wasson had *no personal knowledge* whatever of the bulk of the "following statements". (P.Br. 35; emphasis in original.)
>
> • • • •
>
> At trial, defendants again suborned Wasson to verify AX-58 . . . . (P.Br. 46)

These statements from P.Br. 34, 35 and 46 accurately reflect what the record shows. They are not groundless NBS *"charges"* which the district court opinion shows to be untrue as D.Br. 5-6 misrepresents, but undisputed record facts.

ARGUMENT

This Court is "duty-bound to guard [its] segment of the judicial process against abuse" *Connell v. Sears Roebuck & Co.*, 722 F.2d 1542, 1554 (Fed. Cir. 1983) (imposing sanctions for a frivolous appeal).

In the discharge of that duty the Court has imposed responsibility upon "attorneys whose names are fixed to briefs filed in this Court to see to it . . . that statements therein are completely accurate" *Quality Molding Co. v. American National Fire Insurance*, 287 F.2d 313, 316 (1961).

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[14] This testimony states:

> Q [by AM counsel, Mr. Cook] Have you in the last few days reviewed this declaration [PX 58] and discovered any changes you would want to make in it?
>
> A No, sir.
>
> Q You stand by that declaration today just as you did when you signed it?
>
> A Yes, sir.
>
> Q In January '82?
>
> A Yes, sir. (R. 1513, l. 21-1514, l. 4)

Appellate Rules 28(a)(3) and (b) require that briefs "shall contain under appropriate headings . . . (3) A statement of the case," including "a statement of the facts relevant to the issues presented for review, with appropriate references to the record". Circuit Rule 9(c)(1) requires: "The statement of the facts relevant to the issues presented for review . . . shall be a fair summary without argument or comment". Circuit Rule 9(c)(2) provides:: "No fact shall be stated in the statement of facts unless it is supported by a reference to the page or pages of the record or the appendix where that fact appears". These rules "make it very clear that each attorney is responsible for a complete and accurate presentation of the issue presented for review in the course of proceedings and its disposition in the court below". *Brookhaven Landscape & Grading Co., Inc. v. J. F. Barton Contracting Co.*, 681 F.2d 734, 735 (11 Cir. 1982) (discussing FRAP 28 and Eleventh Circuit Rule 22).

AM's "Statement of the Case" (D.Br. 2-4) is neither "fair" nor "without argument or comment".

The discussion of "The Johnson '120 Patent" (D.Br. 2-4) intersperses counsel's own interpretations of what the patent says with cropped quotations taken out of context from the specification. This manipulation substitutes the *fiction* that the '120 invention subsumes the method, *common to the prior art and the NBS imprinters*, of simultaneously imprinting all of the lines of embossing from a credit card with a single roller in a single stroke for *reality*—i.e., that the only invention disclosed by the '120 patent is the printing *in isolation* of a MICR or OCR line of embossing, an operation which the district court found on "facts . . . undisputed" (546 F.Supp. at 347) that the NBS imprinters do *not* perform.

In *McCandless v. The Great Atlantic and Pacific Tea Co., Inc.*, 697 F.2d 198, 202 (7 Cir. 1983) this Court—affirming the district court's imposition of sanctions, including an attorney fee award against counsel, stated through Judge Pell:

> *In support of his argument on this point to the district court counsel misquoted a case by omitting a sentence that undercut his position.* We have previously stated that, "A sloppy mistake in a quotation might be at least understandable on the part of a careless attorney. But a deliberate misquote calls for strong condemnation." *Quality Molding Co. v. American National Fire Insurance Co.*, 287 F.2d 313, 316 (7th Cir. 1961), *cert. denied*, 368 U.S. 826, 82 S.Ct. 45, 7 L.Ed.2d 29. . . . (emphasis added).

In condemning cropped quotations by which—as in this case—"the district court was clearly influenced", the Federal Circuit has held:

> Distortion of the record, by deletion of critical language in quoting from the record, reflects a lack of candor required by the MODEL RULES OF PROFESSIONAL CONDUCT, Rule 3.3 (1983), wastes time of the court and of opposing counsel, and imposes unnecessary costs on the parties and on fellow citizens whose taxes support this court and its staff. A quotation containing deletions that so clearly distort the meaning and relevance of the quotation as to render it misleading will not in this court be encouraged by acquiescence. *Amstar Corp. v. Envirotech Corp.*, 730 F.2d 1476, 1486 (Fed. Cir. 1984) (footnote citing *McCandless* omitted).

It is plain on the face of its opinion that the panel was dispositively influenced in *favor* of AM and *against* NBS by the many false statements in AM's brief. On these facts alone, justice demands that the panel's judgment should be vacated—and that NBS forthwith be granted an untainted rehearing.

Appellate Rule 46(c) provides for sanctions, after notice and a hearing, against any attorney who practices before it "for conduct unbecoming a member of the bar or for failure to comply with these rules or any rule of the Court". If this rule is not meaningless, disciplinary

action should forthwith be taken against AM's counsel whose brief and argument are a clinical example of the abuse of process inevitable when "zealous advocacy is unconcerned with the certainty of enforcement of judicial sanctions".[15]

Abject bad faith is manifest on the face of the AM brief, for bad faith includes the asserting of facts known to be untrue, *Gandys v. Spring Soft Water Conditioning Co.*, 101 Ill. App. 2d 225, 228, 242 N.E.2d 454 (Ill. App. 1968).

AM counsel's serious and studied disregard for the orderly process of justice has delayed the disposition of this case and induced the filing of a flawed panel opinion warranting sanctions under 28 U.S.C. § 1297. Resort to the lack of candor evidenced by AM's brief would have been quite unnecessary if AM's case had even a colorable basis in law. See *Suslick v. Rothschild Securities Corp.*, 741 F.2d 1000, 1006 (7 Cir. 1984) and cases cited.

In this case no "express finding of intent" is necessary. Fees should be awarded under § 1927 because "counsel's intent is clear from the facts on the record" *Knorr Brake Corp. v. Habril, Inc.*, 738 F.2d 223, 228 (7 Cir. 1984).

Finally, if the Court's judgment *is* vacated as this motion urges, attorneys fees and costs should be awarded under 35 U.S.C. § 285—which includes appeals *Rohm and Haas Co. v. Crystal Chemical Co.*, Fed. Cir., May 29, 1984, Slip Op. at 11.

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[15] See *Dayan v. McDonald's Corp.*, No. 70 CH 2258, Circuit Court, Cook County, Ill., March 1, 1983, slip Op. at 17, copy attached; *affirmed*, 126 Ill. App. 3rd 11; 466 N.E.2d 945 (Ill. App. 1984).

APPENDIX L

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants

v.

AM INTERNATIONAL INC., *et al.*,
Defendants-Appellees.

AM INTERNATIONAL'S MEMORANDUM IN OPPOSITION TO APPELLANT'S MOTION FOR SANCTIONS

Filed November 9, 1984

Had NBS not seen fit to personally attack the honesty and integrity of AM's counsel, we would not even dignify NBS's motion for sanctions with a response. Earlier in this case, NBS had accused AM's predecessor counsel—Cook, Wetzel & Egan—with deception, misrepresentations, trick questions, lies and suborning perjury (NBS Br. 19-20, 39, 47-49; NBS Reply Br. 23). And Judge Bua was accused by NBS of intentionally ignoring testimony, incorrectly characterizing arguments, superficially considering evidence, misapprehending proofs and totally confusing legal requirements (NBS Br. 25, 27, 32-33, 48).

In a nutshell, NBS apparently believes that anyone who disagrees with its distorted view of this case necessarily lies, cheats and steals. Frankly, there simply is no place

for such "grade school" advocacy before this or any other Court. What is important is that most, if not all, of the matters raised by NBS regarding AM's alleged "misrepresentations" have already been presented to this Court in NBS' briefs and oral argument on appeal. And those arguments already once rejected by this Court have no greater standing now that they are repeated in a motion for sanctions.[1] As an example, NBS contends in its Item 1 that AM's mischaracterization of the record on appeal (at D.Br. 21) misled this Court regarding the reissue proceedings. Here, NBS even admits that it made this identical argument in its Reply Brief (NBS Reply Br. 2, n.5):

> "Defendants' bald assertion that 'the trial court . . . had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceedings' (D.Br. 21), is unsupported. Defendants do not controvert that they 'relied upon essentially the same evidence and arguments' (P.Br. 16) in both tribunals. The record is clear that so much of the 'live testimony from expert witnesses' (D.Br. 21) as relates to Cox added *nothing* to the PTO record and afforded no 'demeanor' or 'credibility' questions for the trial court to resolve. 'Expert' testimony about on sale bar was not offered by either party. *No* 'in-court demonstrations' (D.Br. 21) were pertinent to Cox or on sale bar issues. PTO briefing was as comprehensive as in the district court. See PX 5A and PX 5AA."

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[1] In its Reply Brief in the main appeal, NBS accused AM of "false and unsupported assertions," "misrepresentations of testimony and untrue inferences," "falsely stating differences between Cox and claim 7," "incorrect assertions of the trial court's findings," "camouflaging defendant's inability to rebut evidence," "misplaced reliance or out of context citation of cases," "frivolous arguments," "misrepresenting trial testimony," "misconduct," using "perjured testimony" and "false statements regarding in-court demonstrations." (NBS Reply Br. 2, 3, 6, 9, 10, 12, 13-17 and 23).

Not surprisingly, there is more than merely a passing similarity between NBS' present argument and the one this Court previously rejected.

The same can be said for Item 2 in NBS' motion, where NBS alleges AM falsely stated the trial court's findings. At page 12 of its Reply Brief, NBS argued:

> "D.Br. 24-25 states falsely that VanDerLinden and Maul testified to 'differences [other than the 'form set' quibble] between the Cox patent *and Claim 7*' and that '[t]*he trial court found those differences to be substantial, and on the strength of that finding, correctly concluded that claim 7 was not anticipated*' (emphasis added). The alleged 'differences' are not in claim 7's *process* steps, and hence were held meaningless by the PTO. *Claim 7* embraces all of them, as evidenced by defendants' failure to address the claim *language*."

Once again, the similarities between the arguments made then and now cannot be ignored.

In Item 3, NBS contends that AM misrepresented NBS' argument regarding infringement under the doctrine of equivalents. Once again, NBS previously addressed precisely this same point in its Reply Brief at pages 21-22:

> "The district court's error was repudiation of the fundamental rule that a patentee's broadest claim can be no broader than his actual invention (see P. Br. 37, n. 60 and related text), to focus on claim language 'read alone' (6a)." [49]

"[49] Plaintiffs do *not* argue 'that patent claims must be limited to the single embodiment of an invention disclosed in the patent's specification' or 'that the doctrine of equivalents should be ignored' (D.Br. 13)—but only that a claim can be no broader than the actual invention described in the specification pursuant to 35 U.S.C. § 112 and predecessors. *That* is what Williamowsky said at R. 1325-27, contrary to

> D.Br. 13, n. 6. That is also the teaching of *Smith v. Snow*, 294 U.S. 1, 11 (1934) and *Bela Seating Co. v. Poloron Products, Inc.*, 297 F.Supp. 489, 507 (N.D.Ill. 1968); mischaracterized at D.Br. 14. 35 U.S.C. § 112 *requires* that claims be limited to the 'subject matter which the applicant regards as his invention.'"

Contrary to NBS' position, this Court has already considered and rejected NBS' argument regarding the infringement issue.

NBS next claims (in Item 4) that AM distorted an error by the trial court regarding Williamowsky's testimony. Not only did NBS make this identical argument in its main brief (P.Br. 41-42), it repeated the argument in Reply (NBS Reply Br. at 22, n.50):

> "The district court neither resolved disputed fact questions (D.Br. 4-11) nor 'conflicting testimony of experts' (D.Br. 9). The attribution to Williamowsky of 'conflicting testimony' (7a-8a)—exposed as erroneous at P.Br. 41, including n. 66, which defendants have not rebutted—is *not* an example of such resolution."

NBS' third attempt to present the *same claim* in the different form is a total waste of time.

In Item 5, NBS recharacterizes its argument from its main brief at 37-43, that this Court, like the lower court, did not determine the inventive features of claim 7 to arrive at its infringement and validity rulings. Once again, in NBS' opinion AM's alleged "misrepresentations" misled this Court.[2] But, the identical argument was raised both in NBS' main brief and in its Reply, (NBS Reply Br. 21-25). In particular, NBS addressed its imi-

[2] Incredibly, NBS suggests that AM misled this Court by using "cropped quotations" from the '120 patent specification. Yet, it was AM—and not NBS—that included the entire '120 patent as the very first item in its Supplemental Appendix.

tation of the prior art as follows (NBS Reply Br. 23-24, n.54):

> "The NBS imprinters do *not* imitate (P.Br. 32) the one line printing invention of '120, but instead use the prior art, printing *all* lines from a credit card with one wide roller in one stroke. See P.Br. 4-5, 7. This is true in the Farrington and Bartizan imprinters cited at D.Br. 37. There was no industry recognition, 'immediate' (D.Br. 37) or otherwise, of the '120 one line printing invention. AM's 12-48-3 and -4 imprinters—the only one embodying the '120 one line printing invention ever marketed—were commercial failures as shown by comparing the annual sales data set forth in PX 12-M to the "hundreds of thousands' of single roller AM imprinters sold for imprinting credit cards. See P.Br. 7. The reference at D.Br. 37 to Farrington's earlier activities overlooks the facts that (1) the '800 patent was not then known to be prior art to '120 (AX 54A, p. 67) and (ii) since all information concerning the basis for the alleged advice of Farrington's 'outside . . . counsel' was suppressed by AM as 'privileged,' the naked advice is of no evidentiary value. See PX 140 (Ferguson)."

Any other concerns of NBS regarding Item 5 should have been properly raised in its reply brief.

Items 6, 7 and 8 refer this Court to alleged "misrepresentations" made by AM regarding testimony at trial and in-court demonstrations. These matters were addressed not only in NBS' main brief (Milano testimony, NBS Br. 6, n.10; AM models, NBS Br. 10, n.21), but also in Reply (NBS Reply Br. 1, n.1; 2 n.5; 22-24). More specifically, regarding the in-court demonstration and Milano's testimony (NBS Reply Br. 23, n.53), NBS previously argued that:

> "This is likewise apparent from inspection, e.g., of physical Exhibit AX-32A, an NBS Model 710 im-

printer, and a related brochure, AX-32B (see the photograph on p. 2).

D.Br. 10 states that the district court 'observed in-court demonstrations . . . and the beneficial results the invention achieves (Tr. 1479-83)'. In the D.Br. 'addendum,' these same transcript pages are said to be a 'demonstration comparing quality of imprinting achieve[sic] with patented invention.' But reference to 'the invention' in this context is question-begging since the demonstrations were of an *accused* NBS Model 710 double roller, *double stroke* imprinter versus the NBS Model 710 double roller, *single* stroke imprinter. Defendants' false statement that '[t]he patented method of claim 7 eliminated the . . . single stroke/two platen systems of the prior art' (D.Br. 37) is, like the sham trial demonstration by Maul featuring a misadjusted machine of this type (see R. 1479, l.7-1480, l. 10 and compare to R. 1537, l. 10-1543, l. 24), reprehensible. As Milano testified, NBS still sells many single stroke/two platen imprinters (see P.Br. 6, n.10) and as he demonstrated, there is no difference in print quality between them, when properly adjusted, and the accused machines.

The alleged improvement in 'scanning rejection rates' (D.Br. 37) is inadmissible speculation of the Farrington witness Patterson '[p]robably' based on 'figures mostly obtained from the ABA, American Banking Association' which he could not recall 'specifically'—'figures like that were not published' (AX 54A, p. 190, l. 12-192, l. 5)."

More incredibly, NBS labels AM's failure to include pertinent portions of Milano's testimony in its Appendix a "misrepresentation" before this Court, but fails to explain why NBS itself did not include this allegedly critical testimony in its own Appendix, and did not even fully address the issue when it had ample opportunity to do so.

Finally, in Item 9, NBS claims that AM misrepresented the strength of NBS' case, as well as deprecated NBS' brief. Since these matters were previously addressed in NBS' main brief (NBS Br. 34-36) and in Reply (NBS Reply Br. 16, n.35), NBS' third attempt to raise the same issue in the form of a sanctions motion is pure nonsense. Regarding Wasson's testimony, NBS raised this same argument in Reply (NBS Reply Br. 16, n.35) as follows:

> "Defendants' misrepresentations (D.Br. 27, n. 13; 30, n. 14) that Wasson *had* 'personal knowledge' are contradicted by his own consistent contrary admissions as the PTO correctly rules based on PX 54A, Tab 28, pp. 25 *et seq.* See also P.Br. 34-35 including nn. 56, 57; R. 1505, l. 4-1507, l. 5 and the 'Record Excerpts Pertaining to AX 58, *post*, p. 1b-9b. The trial court *sustained* plaintiffs' objection to Wasson's testimony about PX 12-0 because he lacked personal knowledge (R. 1505, l. 4-1501, l. 1)."

In sum, NBS raised its unfounded fraud, misrepresentation and misconduct allegations in its prior briefs and in oral argument. The allegations lacked merit then (as they do now) and were summarily rejected by this Court. Putting a new label on these old arguments now does not change their color.

As far as sanctions are concerned, it is NBS, not AM, who is abusing the judicial process. Its attempt to discredit AM's counsel, as well as reargue its case, through this current device, is a waste of the resources of this Court and imposes a needless burden and expense on AM. Since these matters have already been settled by this Court's disposition of the appeal, NBS' motion for sanctions should be denied. Moreover, it is AM that should be awarded its attorney's fees and expense in replying to this latest NBS motion, and AM so requests an Order from the Court granting it such relief.

Respectfully submitted,

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APPENDIX M

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees

REPLY MEMORANDUM IN SUPPORT OF APPELLANT'S MOTION FOR SANCTIONS

Filed November 13, 1984

AM's opposition does not deny that its brief before this Court fails to comply with the Court's rules and the Federal Rules of Appellate Procedure (see F.R.A.P. 46(c)), nor does it even attempt to justify any of the misrepresentations to the Court which the memorandum supporting the appellants' motions demonstrates. Instead, AM in effect confesses all of these transgressions but urges that they should be ignored because the Court failed to address any point made in the NBS reply brief on the merits, in which NBS first pinpointed and refuted each of AM's misrepresentations.

The circumstance that the Court, misled by AM's unprofessional brief on the merits in connection with the

September 20, 1984 opinion, did not previously recognize AM counsel's professional misconduct, is no justification for endorsing this conduct.

It is not "'grade school' advocacy", but a plea for simple justice, to ask the Court *now* to plumb beneath the slickly superficial surface of AM's brief and—once seeing how egregiously misleading that brief is—to afford NBS the deserved redress.

To paraphrase Circuit Court Judge Curry as set forth in *Doyan* v. *McDonald's Corp.* (slip opinion attached to opening memorandum) and affirmed at 126 Ill. App. 3rd 11 (Ill. App. 1984)

> "When the . . . [advocate] is allowed without fear to become a novelist the royalties are paid out of a then diminished judicial system—diminished in its capacity to serve, diminished in its perceived ability to police its own domain and diminished in its credibility and reputation." (slip op. at 17)

Respectfully submitted,

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APPENDIX N

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants,

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees.

APPELLEES' MEMORANDUM IN OPPOSITION TO APPELLANTS' MOTION TO CORRECT ERRORS IN OPINION

Filed November 23, 1984

Appellants, National Business Systems, et al. ("NBS"), have stretched literalism to the point of absurdity by alleging that this Court made 22 separate prejudicial errors in unanimously affirming the district court. Although appellee, AM International ("AM"), will address each of the 22 alleged errors separately (and in the order raised by NBS), most of the NBS "nit-picking" is so ridiculous that it really is nothing more than a complete insult both to AM and to this Court.

As an example, NBS suggests that this Court erred in merely noting that NBS had alleged on appeal that the

district court was "bound" by the Patent Office (Error No. 7). Instead, what NBS argued on appeal was that the district court could not "attack" or "overrule" the Patent Office and that the Patent Office's preliminary determination, therefore, controlled the district court (NBS Reply B. at 7, 11). Does not "control" and an inability to "overrule" or "attack" really equate with being "bound?" And did this Court commit prejudicial error by using the word "bound"—the same word used by the district court (546 F.Supp. at 350)? We think not.

NBS plays still more word games in suggesting that this Court erred by commenting (in a footnote) that the district court had found AM's '091 patent valid (Error No. 2). Instead, what the district court did is simply refuse to find AM's patent invalid (as NBS urged in its declaratory judgment complaint) after AM voluntarily withdrew its infringement charges on that patent before trial. Given the statutory presumption of validity (35 U.S.C. § 282) and the never-shifting burden that exists on an accused infringer to clearly establish invalidity, a refusal to invalidate is surely the full equivalent of a finding of validity. And this Court's statement to the extent it had any significance was technically correct.

NBS' argument that this Court committed error in saying that AM "sought to amend its patent by adding additional references to the prior art" (Error No. 6) is yet another example of NBS' gamemanship. AM did, indeed, amend the record before the Patent Office for its patent by adding more prior art references to those previously considered—an action which has the practical effect of amending the patent by adding to the list of prior art cited on the face of the patent. Similarly, NBS' argument that the district court did not find a substantial identity in *function* and *result* between the accused NBS imprinters and the AM patent is absolutely untrue (Error No. 18). We quote below from the district court's decision on that very point:

> "The Court rejects plaintiff's expert testimony, and accepts defendants' expert testimony to the effect that the NBS imprinters are 'the structural equivalent of the device described in' Claim 7 of the '120 patent, and 'perform . . . substantially the same *function*, in substantially the same way, to achieve the same *results*, even though . . . [they] differ . . . in form or shape." (Emphasis added). (546 F.Supp. at 349).

NBS even attacks the integrity of this Court by representing that this Court knowingly "mischaracterized" NBS' arguments by making a "cropped quotation from the NBS brief" (Error No. 17). That argument is symptomatic of NBS' entire post-appeal strategy. Apparently, no one but NBS either tells the truth or acts responsibly.

As set forth in detail below, this Court simply did not commit 22 errors that were "demonstrably prejudicial" to NBS.

ERROR NO. 1

In light of the limited matters on appeal, and the district court's very specific Judgment Order of September 13, 1982 (Plaintiff's Appendix at 43a), this Court's "remand for a *determination of damages*" (slip op. at 2) was entirely proper. It should be obvious to anyone fairly reading the Court's opinion that NBS' patent misuse and antitrust claims were not addressed by this Court because those specific claims were not part of the appeal. Whether or not such claims are barred by collateral estoppel, and the order in which such claims should be heard on remand, are matters clearly within the discretion of the district court. To suggest as NBS does that it has been prejudiced by this Court's remand really takes NBS' credibility to the breaking point.

ERROR NO. 2

All patents are presumed valid. 35 U.S.C. § 282. And the burden of pleading and proving invalidity by clear and convincing evidence always rests with the party asserting such defense. *Jones* v. *Hardy*, 727 F.2d 1524, 1528 (Fed. Cir. 1984); *Lear Siegler, Inc.* v. *Aeroquip Corp.*, 733 F.2d 881, 885 (Fed. Cir. 1984). Although the district court never considered trial evidence on NBS' invalidity defenses to the '091 patent (because the patent infringement issues were withdrawn before trial), it refused to adopt NBS' declaratory judgment claim that the patent be held invalid. It is certainly not prejudicial error, therefore, to state in a footnote (as this Court did) that the district court's April 16, 1982 Order leaves AM's '091 patent valid but not infringed.

ERRORS NOS. 3 AND 4

In the background portion of its Opinion, the Court in discussing the '120 patent did twice use the words "patent examiner" or "examiner" instead of "patent application" or "patent." But, what conceivable difference does that make? The patent examiner is not only required to read a patent application before issuing it, he is required to correct any statements that needs correction. Manual of Patent Examining Procedures §§ 702, 1302.01 (5th ed. 1983).

Additionally, NBS' claim that the statment under Error No. 3 is an admission of the narrowness of claim 7 is totally unsupported in light of the specification of the '120 patent at column 1, lines 53-57:

> "The present invention will be described in terms of these MICR characters, but it will be understood that characters intended for optical recognition and other types of critical reading characters are also comprehended."

at column 2, lines 60-62:

> "While the preferred embodiment of the invention has been described and illustrated, it is to be understood that this is capable of variation and modification. Accordingly, the aim in the appended claims is to cover all such variations and modifications a may fall within the true spirit and scope of the invention."

and at column 6, lines 20-25:

> "Other embodiments of the invention embodying the same or equivalent principles may be used and structural changes may be made as desired by those skilled in the art without departing from the present invention and the purview of the appended claims."

Thus, contrary to NBS' representation, claim 7 is simply not narrowed by the statement under Error No. 3.

NBS also takes exception to the Court's classification of the statement under Error No. 4 as the *principal* object of the invention. Once again, AM sees no prejudice to NBS by this statement considering that in most, if not all, patent specifications, the first listed object of the invention is, in fact, the principal object of the invention as it is in this case.

ERROR NO. 5

The '120 patent correctly states that the accompanying drawings illustrate "a preferred embodiment of the present invention" (column 2, lines 57-58), just as this Court noted. And AM's claimed method for making an impression in a form set as defined in claim 7 is just as much a part of the claimed invention as any other claim. It is illustrated in the patent drawings.

To suggest error in the Court's statement is really ridiculous.

ERROR NO. 6

NBS carries its exhaustive search for errors still further by claiming prejudice from the statement that "AM sought to amend its patent by adding additional references to 'prior art'" (slip op. at 4). Incredibly, NBS draws the conclusion that such a statement is prejudicial because it somehow leads to the misunderstanding that claim 7 itself was amended. To reach that point one must engage in a literal exaggeration of each word in the Court's statement, and then make a quantum leap to claim 7—something that cannot even be implied by this Court's factually correct statement of AM's purpose in filing a reissue application.

ERROR NO. 7

NBS claims that the statement "[t]he district court was *bound* by the Patent Office's final rejection of the reissue application . . ." (slip op. at 6) is prejudicial to NBS because it ascribes an extreme and unreasonable legal position that NBS never espoused.[1] This Court's statement, however, is not only clearly supported by the district court (546 F.Supp. at 350) but also finds repeated support in NBS' reply brief:

> This limited power of reexamination under §§ 301-307 has nothing to do with reissues under § 251 and does not, as suggested at D.Br. 21, enable *collateral attacks* by courts in infringement cases on PTO unpatentability determinations. (NBS Reply Br. at 7).
>
> There is no suggestion that a court, proceeding under 28 U.S.C. § 1338(a) and 35 U.S.C. § 282, could *overrule* a PTO final rejection holding a claim unpatentable under §§ 132 and 251. (NBS Reply Br. at 7).

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[1] In the body of the Opinion, this Court also characterizes NBS' argument in the manner now urged by NBS—namely, that the Patent Office's position is entitled to a "presumption of correctness." (Slip op. at 7).

> The established PTO expertise in resolving patentability issues and the attendant presumption of its correct exercise (P. Br. 15-17, see especially n.31, p. 16) *control* here, even if collateral estoppel be not invoked. (NBS Reply Br. at 9).
>
> It follows that the PTO examiner *must* be affirmed. . . . (NBS Reply Br. at 11).

Since such statements speak to limiting the power of the district court, this Court's characterization of NBS' argument is entirely proper.

ERROR NO. 8

NBS again argues that the *incomplete* reissue proceeding before the Patent Office has greater significance than the opinions of the district court and this Court after a *full* trial on the merits. The argument is simply not supportable in fact or law (AM Br. on Appeal at 15-21).

First, the Patent Office itself recognized its inability to deal with questions of patent validity *after* issuance of a patent by summarily abandoning the very reissue procedure now urged by NBS as having collateral estoppel effect. Notice of Rule Making, May 19, 1982, 47 Fed. Reg. 21746, reprinted in Pat. TM and Copy J. (BNA), May 20, 1982. Secondly, the record before the Patent Office was incomplete—no expert testimony was heard and no in-court demonstrations of any kind took place. Third, the Patent Office proceeding is not final; more than 50 percent of all preliminary Examiner rejections, for example, are summarily reversed on appeal either to the Patent Office or the courts. Fourth, this Court has consistently held that only district courts (not the Patent Office) can decide issues of patent validity. *Johnson & Johnson* v. *Wallace A. Erickson & Co.*, 627 F.2d 57 (7th Cir. 1980). And finally, if district courts and courts of appeals were bound by non-final Patent Office determinations (as NBS suggests), then 50 and 60 of all of this

Court's prior decision in patent cases (indeed, all those which failed to adopt the Patent Office's position on validity) are wrong as a matter of law.

NBS' attempt to reargue evidence already heard by the district court and to have this Court conduct a *de novo* hearing and make independent factual findings on credibility is improper. Certainly, no error of law was made by this Court or the district court.

ERROR NO. 9

This Court disposed of all of NBS' obviousness arguments concerning claim 7 of the '120 patent (including the Cox patent) as follows:

> There is substantial evidence to support the court's findings of fact, and NBS has not convinced us that the trial judge made an error of law in holding claim 7 "nonobvious." (Slip. op. at 13).

Now, after a full and fair hearing at the trial court, NBS claims that this Court must consider each and every argument raised by NBS *de novo*. Obviously, this Court need only decide whether or not the factual findings of the district court are "clearly erroneous" and then whether or not there has been an error of law. *De novo* hearings of the type NBS urges are simply not appropriate on appeal.

ERROR NO. 10

Apparently, NBS is under the impression that this Court cannot examine the record and determine for itself the testimony that the district court did or did not rely upon in arriving at its decision. The testimony cited in this Court's opinion at pages 15-16, footnote 6 was clearly relied on by the district court in the following instances:

> In fact, VanDerLinden's cross-examination testimony indicates that the Cox Patent 539,356 discloses a

> printing press and not a table-top imprinter as embodied in Claim 7.
>
> * * * *
>
> Although the Cox Patent 539,356 discloses two rollers capable of printing in opposite directions, VanDerLinden's identification of the device embodied in the Cox Patent as a printing press supports this Court's conclusion that there is no identity of function between the two patents, and therefore no anticipation. 546 F.Supp. at 350.

These statements clearly demonstrate that the district court relied upon both sections of the testimony cited (slip op. at 15-16, fn.6) and thus no error was committed by this Court's consideration of the testimony, whether actually *cited* or not by the district court.

ERROR NO. 11

At trial, NBS' expert, Mr. VanDerLinden, testified that no single item of prior art, including the Cox patent, disclosed every element of claim 7 of the '120 patent (Tr. 1146-47). He subsequently changed his mind and testified that the Cox patent did indeed disclose all the elements of claim 7 (Tr. 1148-49). Then, upon reflection, he reaffirmed his prior admission and agreed that the Cox patent simply did not disclose all of the elements of claim 7 (Tr. 150). Finally, on redirect, Mr. VanDerLinden merely adopted NBS' trial counsel's analysis of the Cox patent and testified that he had no reason to criticize it (Tr. 1211).

Quite obviously that type of vacillation did not inspire a finding of high credibility for Mr. VanDerLinden on that point. And neither the district court nor this Court committed error in commenting upon such testimony.

ERROR NO. 12

Contrary to NBS' argument, the district court referred to "the level of skill in the pertinent art" at least three

different times, (546 F.Supp. at 351, 352, 353) in considering the obviousness issue. And also, contrary to NBS' argument, a specific factual finding of the level of skill in the art is not always necessary. *Chore-Time Equipment, Inc.* v. *Cumberland Corp.*, 713 F.2d 774 (Fed. Cir. 1983); *Union Carbide Corp.* v. *American Can Co.*, 724 F.2d 1567 (Fed. Cir. 1984).

ERROR NO. 13

Whether or not *Dual Mfg.* applies only to jury cases (as NBS contends), it is the responsibility of the district court (not experts) to make the ultimate decision on the legal issue of obviousness. The courts are well aware of the value of expert testimony, and the practical difficulties associated with such testimony as legal opinions and may accord whatever weight is appropriate to such legal testimony based upon the evidence presented at trial. The district court in this case did just that. And this Court properly noted that the "very, very obvious" testimony went to the ultimate question of law that had to be decided by the district court.

ERROR NOS. 14, 15 AND 16

In its effort to rehash the trial evidence, NBS argues that this Court erroneously characterized certain evidence regarding the sale of AM's imprinters. This Court's statements were made, however, after its consideration of the district court's opinion, the record on appeal and the briefs by both parties. And NBS is pushing literalism to its ultimate extreme by nit-picking at such characterizations.

AM has treated the evidence of record on the "on sale" issue at pages 26-30 of its Brief on Appeal; it would be pointless here to reargue all of the evidence now. Suffice it to say, however, that knowledgeable personnel employed by AM testified at trial, *without contradiction*, that

patented imprinters were not available before the critical date for the '120 patent, and that initial sales took place in the spring of 1964, long after the critical date. Moreover, the contemporaneous documents introduced at trial unequivocally establish that no invalidating prior offer for sale e er took place.

Hence, as far as the district court's findings are concerned, the '120 "on sale" issue was thoroughly considered. 546 F.Supp. at 353-54. On the basis of such findings, and the record on appeal, this Court's statements were entirely proper expressions of what the evidence actually established at trial.

ERROR NO. 17

NBS again criticizes this Court's characterization of one of its arguments, specifically its argument relating to the interpretation of claim 7. NBS apparently believes that this Court must quote each of its arguments verbatim and then discuss each verbatim argument in detail to avoid error. Were that the standard for appellate review, every opinion of this Court would be hundreds of pages long.

NBS did argue that claim 7 was limited to imprinting from a single embossed printing device just as this Court observed. And, based upon the contradicted record before the district court on this point, "printing device" was correctly interpreted as including both an embossed credit card and an embossed station plate.

Clearly, this Court did not commit error simply by characterizing NBS' argument as it did.

ERROR NO. 18

NBS' argument that this Court somehow erred in observing that the district court found equivalence between the AM patent and the NBS imprinters in "function"

and "result" is inexcusable. The district court specifically found as follows:

> "The Court rejects plaintiff's expert testimony, and accepts defendants' expert testimony to the effect that the NBS imprinters are 'the structural equivalent of the device described in' Claim 7 of the '120 patent, and 'perform . . . substantially the same *function*, in substantially the same way, to achieve the same *results*, even though . . . [they] differ . . . in form or shape." (Emphasis added). (546 F.Supp. at 349).

To suggest that this Court did not fairly characterize the district court's conclusion on this issue is total nonsense.

ERROR NOS. 19 AND 20

NBS argues that the district court did not consider *all* of its arguments on the fraud issue and thus that this Court erred in saying that the district court had done so. A fair reading of the district court's exhaustive treatment of NBS' fraud allegations (separately for each of the patents in suit) puts the lie to NBS' frivolous contention.

NBS has failed to point out specifically what fraud contentions were not considered by the district court (Error No. 19). And the district court's finding that a patent applicant may withhold non-material prior art, fully supports this Court's observation on the materiality issue (Error No. 20):

> "This finding is supported by the rule that it is a permissible exercise of a patentee's judgment to withhold prior art on his belief that it would not affect the Examiner's evaluation of the pending application." 546 F.Supp. at 355.

* * * *

"Plaintiff's (NBS) provided no support, for their allegations of inequitable conduct, nor did they prove bad faith." 546 F.Supp. at 359.

ERROR NO. 21

AM agrees that the issue of the injunction is moot, but fails to see what bearing the statement NBS wishes to delete has on anything of substance in this case. Since the '120 patent has expired, as this Court has correctly pointed out (slip op. at 23), NBS has not and cannot be prejudiced by the Court's reference to the reissue proceedings.

ERROR NO. 22

This Court found that the district court was in the best position to determine whether an award of fees (and presumably costs) was proper in the case below (slip op. at 23). While the district court did not directly address the "costs" under Rule 54(d) issue, it did deny costs and attorney's fees to both parties under 35 U.S.C. § 284 and § 295. 546 F.Supp. at 365. It also denied any costs, expenses or attorney's fees to both parties in its Judgment Order dated September 13, 1982. (NBS Appendix at 42a). NBS did not object to such a denial at the time that Order was entered, and thus should not be allowed to complain now.

AM has not attempted to exhaustively treat each of the myriad of errors alleged by NBS; nor can it do so in less than 15 pages since most, if not all, of NBS' alleged errors are "manufactured" from an overly "literal" and totally ridiculous interpretation of what this Court had to say. In sum, NBS has grossly overstated its case for error, has falsely accused this Court of mischaracterization, and had deliberately and repeatedly taken statements out of context for the sole purpose of suggesting error where none, in fact, occurred.

For the reasons set forth above, AM respectfully requests that NBS' motion be denied and that AM be awarded its expenses in being required to respond to NBS' frivolous motion.

Respectful submitted,

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APPENDIX O

DEFENDANTS—APPELLEES' ANSWER TO APPELLANTS' PETITION FOR REHEARING WITH SUGGESTION FOR REHEARING EN BANC

Filed December 4, 1984

I. INTRODUCTION

Contrary to NBS' representation to the Court, this case presents no issue of exceptional importaince; there is no decision of the Supreme Court, this Court or the Court of Appeals for the Federal Circuit that is in fundamental conflict with the decisions of either the district court or the panel; and, most importantly, consideration by the full Court is simply not needed to maintain uniformity in this Court's decisions in the field of patent law. In short, this case is not even appropriate for rehearing much less for rehearing in banc.

As it did below in presenting the district court with 254 pages of proposed post-trial findings, a 96 page post-trial argument and a 106 page post-trial brief (R. 499, 503, 504 , NBS has besieged this Court with an imposing array of post appeal motions and other papers, culminating with the present petition for rehearing and suggestion for rehearing in banc. Unfortunately, NBS' arguments are clothed in hyperbole, are premised on a misunderstanding of the plain words of the panel's opinion, and demonstrate a complete ignorance of the most fundamental precepts of appellate review.

II. THE SUGGESTION FOR REHEARING IN BANC IS INAPPROPRIATE

In banc rehearing is costly and time-consuming. It places severe burdens on an already overburdened appellate process and should be reserved for "truly extraor-

dinary cases." *Jolly* v. *Listerman*, 675 F.2d 1308, 1310 (D.C. Cir. 1982) (concurring opinion). Rule 35, Fed.R. App.P., for example, clearly reflects this sentiment:

> ". . . a hearing or rehearing [in banc] is not favored and ordinarily will not be ordered except (1) when consideration by the full court is necessary to secure or maintain uniformity of its decisions, or (2) when the proceeding involves a question of exceptional importance."

No matter how it is viewed, this case simply does not meet the exacting standard of Rule 35. In the first place, it is nothing more than a straightforward patent infringement suit, presenting those issues like "anticipation," "obviousness" "doctrine of equivalents," and "fraud," which are commonly raised by infringers in almost all patent cases. While important to the litigants, this case surely cannot be considered significant to the public or the judiciary. Even the Johnson patent, itself, is no longer of any public moment—it expired more than a year ago.

As importantly, jurisdiction over patent appeals now rests exclusively with the Court of Appeals for the Federal Circuit which has anounced that it will not be bound by decisions of other circuits. *South Corporation* v. *United States*, 690 F.2d 1368, 1371 (Fed. Cir. 1982). The panel's decision, therefore, will have little precedential value and virtually no future decision of the Seventh Circuit Court of Appeals will be impacted one way or the other. Under very similar circumstances, this Court has previously ruled that rehearing in banc is inappropriate. *United States* v. *Rosciano*, 499 F.2d 173, 174 (7th Cir. 1974); *see also*, *Roberts* v. *Sears, Roebuck & Co.*, 723 F.2d 1324, 1348 (7th Cir. 1983) (dissenting opinion).

Finally, of course, the record of this case reflects a careful, thorough and reasoned analysis of the voluminous and conflicting evidence by the district court that resulted in a decision upholding the validity and infringement of

only one of three AM patents at issue. Review of the district court and panel opinions shows that the case largely involves disputed *facts* and not controlling legal principles. Indeed, virtually every issue NBS raised—anticipation, obviousness, on-sale, fraud, doctrine of equivalents, and collateral estoppel—turns on the detailed factual findings of the trial court and not on any fundamental dispute about the applicable law. A case "so heavily fact-dependent" is "especially inappropriate for in banc review." *Jolly* v. *Listerman, supra* at 1311.

Obviously, the function of an in banc hearing is not to address alleged errors for the benefit of a losing litigant as NBS argues here. *United States* v. *Rosciano, supra.* Much more is required—a danger of inconsistencies in the decisions of the court or a question of exceptional importance. Since no such condition exists in this case, in banc rehearing must be denied.

III. THE PETITION FOR REHEARING IS WITHOUT MERIT

In the course of the eleven day trial below, the district court heard the testimony of six separate witnesses—three of whom were experts either in the technical subject matter at issue or the patent law. It judges the credibility and evaluated the technical competence of those witnesses on each of the myriad of distinct factual issues raised by the parties. The trial court had before it more than two hundred trial exhibits—a third of which were physical exhibits, including data recorders, merchant plates, form sets and platen constructions. It actually observed five separate demonstrations of the various data records at issue. And, it concluded after considering the exhaustive post-trial findings and briefs of the parties (treating every aspect of the evidence presented below) that the asserted claims of two of the three AM patents in suit were invalid and not infringed, and that claim 7 of the other AM patent was both valid and infringed. 546 F. Supp. at 364.

Thus, unlike the far more usual patent case, where all of the claims of the asserted patents are found, as a group, either valid and infringed or invalid and not infringed, the trial court here made a detailed analysis of each of the asserted claims of each of the three patents at issue—finding those that it believed valid, to be valid, those that it believed infringed, to be infringed, and vice versa. Both sides won on some issues and lost on some issues.

In the process of reaching its decision, the trial court demonstrated a comprehensive understanding of the technical subject matter of the patents at issue (546 F.Supp. at 346-47, 357). It acknowledged and then evaluated each of the differing contentions of the parties on each of the factual issues (546 F. Supp. at 348-49, 351, 362). It demonstrated a grasp of the legal issues before it (546 F.Supp. at 349-350, 352, 353--54, 357-58), and consistently addressed the burdens of proof and persuasion that each of the parties bore (546 F.Supp. at 350, 351, 353, 354, 357, 359, 360, 362, 363). Most importantly, it carefully assessed the credibility of the witnesses who testified at trial—finding AM's experts to be credible (and NBS' not credible) on some issues (546 F.Supp. at 349, 352-53, 360, 362) and NBS' expert witnesses credible (and AM's proof lacking) on other issues (546 F.Supp. at 356-57, 358, 360, 361-62). (See D.Br. 6-7).

The opinion of the district court reflected much more, therefore, than a blanket adoption of one side's views over the other's. What it represented was an even-handed analysis of the evidence presented, and a careful balancing of the credibility, persuasiveness and weight of the evidence as it applied to the various issues before the trial court. This is precisely what trial courts are obliged to do.

On appeal, it was NBS' strategy to attack the *bona* fides of AM and the competency of the trial judge. It charged that the district court "ignored" proper findings

and adopted "untrue" findings proposed by AM, that AM's counsel used "trick" questions, that the trial court relied on "incompetent" testimony, that AM relied on "suborned" testimony, and that the trial court "misunderstood" its positions (see D Br. 5-6). Unfortunately, NBS continues those same tactics here. It accuses AM of "false" representations and assertions (Pet. 1, 2) and charges that the panel "distorted" NBS' issues and "resorted to distortion [of NBS' argument] by a cropped quotation" (Pet. 1, 5), "ignored" or "mischaracterized" NBS' argument (Pet. 1, 2, 3, 6, 15), made *de novo* fact findings (Pet. 2, 8, 9, 12), and refused to consider "dispositive" evidence (Pet. 6, 11). In almost paranoic fashion, NBS even draws attention to the tape of the oral argument which it suggests was "inexplicably lost" and "still cannot be found" (Pet. 1). Most incredibly, NBS even suggests that it had "no appeal" at all because the panel intentionally sought to affirm the district court "at all cost" (Pet. 1). These arguments are symptomatic of NBS' entire post-appeal strategy—the trial judge adopted "untrue findings," was inept, could be easily "manipulated" by clever counsel, "deprecated" testimony and "misunderstood" NBS' positions (P. Br. 20, 32, 34, 39); those lawyers that opposed NBS asked "trick" questions of "unwilling witnesses," submitted "unworthy declarations" and presented "suborned" testimony (P. Br. 19-21, 28, 41, 46); and, the judges of this Court used cropped quotations, distorted arguments, and ignored the law just so that they could affirm those portions of the district court's opinion that found against NBS. In short, the entire judicial process has conspired against NBS.

Moreover, NBS fails to come to grips with the plain meaning of the panel's opinion and ignores the role of an appellate court. On this last point, it is instructive to revisit the applicable precedent. As explained by the Supreme Court in *Zenith Radio Corporation* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969):

> "In applying the clearly erroneous standard to the findings of a district court sitting without a jury, appellate courts must constantly have in mind that their function is not to decide factual issues de novo. The authority of an appellate court, when reviewing the findings of a judge . . . is circumscribed by the deference it must give to decisions of the trier of the fact, who is usually in a superior position to appraise and weigh the evidence. The question for the appellate court under Rule 52(a) is not whether it would have made the findings the trial court did, but whether on the entire evidence [it] is left with the definite and firm conviction that a mistake has been committed."

The Court of Appeals for the Federal Circuit cited *Zenith* in a recent patent appeal, and provided further insight on the importance of the clearly erroneous rule:

> "PDI raises on appeal each and every one of its five points and in its briefs asks us, in effect, to review the entire record and reach our own conclusions on each point—in its favor, of course. This is not our function as an appellate court."
>
> * * * *
>
> "It behooved appellant, therefore, to precisely point out and demonstrate why the finding of the trial court, on any issue it argued, was *clearly* erroneous, not merely that we *might* reach a different conclusion on a de novo review. We are not in as good a position as was the trial judge to evaluate conflicting evidence or even to judge the true significance of documentary and physical exhibits introduced through or testified about by live witnesses who appeared before him." *Preemption Devices, Inc.* v. *Minn. Mining & Mfg. Co.*, 732 F.2d 903, 905 (Fed. Cir. 1984). (Emphasis in original).

Accord, *Aunt Mid, Inc.* v. *Fjell-Oranje Lines*, 458 F.2d 712, 715-716, 718-719 (7th Cir. 1972); *Uniroyal, Inc.* v. *Mumford*, 454 F.2d 1233, 1236 (7th Cir. 1972).

NBS also repeatedly charges that the district court and panel "ignored" or "refused to consider" evidence or arguments. Most often NBS is simply wrong. But even where some evidence was not specifically mentioned either by the trial court or this Court, it is improper to assume (as NBS does) that the evidence was not even considered. In *Amerline Corporation* v. *Cosmo Plastics Co.*, 407 F.2d 666, 669 (7th Cir. 1969), this Court rejected the very argument NBS now makes:

> "The court was not required to make findings with respect to all evidence introduced. *Norwich Union Indem. Co.* v. *Haas*, 179 F.2d 827, 832 (7th Cir. 1950). It is sufficient if there is substantial evidence to support the finding. *Id.* The findings and conclusions support the presumption that the court considered the evidence relevant to the issue of non-obviousness. Moreover, there is no merit in the claim that the court ignored or erroneously made findings on the question of commercial success. The court was not required under Rule 52, Fed.R.Civ.P., to make findings on all facts presented. *Norwich Union Indem. Co.* v. *Haas*, 179 F.2d 827, 832 (7th Cir. 1950).

Accord, Western Pacific Fisheries, Inc. v. *SS President Grant*, 730 F.2d 1280, 1285 (9th Cir. 1984). Obviously, if the standard NBS seeks to impose were the law, the district court's opinion would have been hundreds of pages in length and this Court's opinion even longer. No such requirement exists under the law.

Moreover, findings are to be liberally construed in support of a judgment, even though not as explicit as might be desired. Indeed, if from the facts found, other facts may be inferred which will support the judgment,

such inferences should be deemed to have been drawn by the district court. And an appellate court may properly determine the appeal, without more, if the record sufficiently informs it of the basis of decision. Wright, Miller & Kane, Federal Practice and Procedure: Civil 2d § 2577 (1983); 5A Moore's Federal Practice § 52.06[1] n.31 (1984); *Triangle Conduit & Cable Co.* v. *FTC*, 168 F.2d 175 (7th Cir. 1948); *Grover Hill Grain Co.* v. *Baughman-Oster, Inc.*, 728 F.2d 784, 793 (6th Cir. 1984); *ACS Hospital Systems, Inc.* v. *Montefiore Hospital*, 732 F.2d 1572, 1578 (Fed. Cir. 1984).

Finally, and perhaps most importantly, the various legal arguments NBS makes—the so-called controlling precedent ignored in the panel opinion—is, in fact, not controlling at all. Indeed, when testing against the legal standards applied both by this Court and the Court of Appeals for the Federal Circuit it is NBS, not the panel opinion, that is at odds with the controlling precedent.

1. *Collateral Estoppel—Issue Preclusion*

The full measure of NBS' credibility can be tested by its unequivocal representation to the judges of this Court that the panel "never dealt" with NBS' argument about issue preclusion (Pet. 3). Nonsense. The panel dealt at length with this precise issue. It properly framed the question:

> "NBS argues that 'intertwined with the presumption' is the doctrine of collateral estoppel which would *prevent AM from relitigating the same issues* decided by the Patent Office." (Op. 7) (Emphasis added).

Can it seriously be suggested that this is a mischaracterization of NBS' issue preclusion argument? AM thinks not.

After properly framing the issue before the Court, the panel then rejected the NBS argument and made a care-

ful and reasoned analysis of the issue that included specific reference to *Johnson & Johnson* v. *Wallace A. Erickson & Co.*, 627 F.2d 57 (7th Cir. 1980) and other controlling precedent of this Court (See Op. 7-9). To suggest—as NBS does—that the panel ignored its "issue preclusion" argument is simply incredible.

The panel recognized that the record before the district court was more complete than that in the Patent Office. NBS labels this a "spurious fact finding" (Pet. 2) despite the fact that the panel had before it both the trial record and the Patent Office record from which it could draw its own conclusions. Moreover, it is undisputed that (1) in court demonstrations were made illustrating the claimed method of the '120 patent (see Addendum); (2) Messrs. Wasson and Maul testified live at trial about the on-sale activities; and (3) Messrs. Maul and VanDerLinden testified live at trial about the '120 patent and its relationship to the prior art Cox and '800 patents. *None* of this evidence was so presented to the Examiner in the reissue proceedings.

At oral argument NBS argued for the first time—and restates the argument now— that the interlocutory decision of the Patent Examiner in the reissue application was "final" because appeal from his ruling was no longer possible due to expiration of the original patent (Pet. 3). What NBS fails to tell this Court, however, is that the '120 patent expired *after* the trial and *after* the trial court had made its decision. Obviously, this subsequent event cannot operate retroactively to collaterally estop AM in a civil action that was already concluded. In fact, NBS' argument proves too much. While it is true that appeal from the Examiner's preliminary ruling is no longer possible because the '120 patent has expired, this fact operates in AM's favor to prevent application of collateral estoppel or issue preclusion. See, *Restatement (Second) of Judgments* § 28 (1982) (issue not precluded where the party against whom preclusion is sought could

not, as a matter of law, have obtained review of the judgment in the initial action); *Id.* Comment a. (such cases can arise, for example, because the controversy has become moot); *Jackson Jordan, Inc.* v. *Plasser American Corporation*, Appeal Nos. 83-1374 and 83-1386, slip op. at 18 (Fed. Cir. Nov. 9, 1984).

In sum, NBS had its day on the collateral estoppel issue and lost. Nothing can be gained now by rearguing the matter *ad nauseum*. (See Br. at 15-22). Even the *EZ Loader* decision cited by NBS under Rule 11 is inapposite. In that case the prior ruling was appealed to the Court of Appeals for the Federal Circuit which had rendered a final decision affirming the Patent and Trademark Office before decision in the subsequent action. *EZ Loader Boat Trailers, Inc.* v. *Cox Trailers, Inc.*, Appeal No. 83-2745, slip op. 3 (7th Cir. Oct. 17, 1984).

2. *Infringement of Claim 7*

This and other appellate courts have repeatedly held that the question of infringement is one of fact and thus subject to the Rule 52(a) clearly erroneous standard. *Wolens* v. *F.W. Woolworth Co.*, 703 F.2d 983, 987 (7th Cir. 1983); *Carman Industries, Inc.* v. *Wahl*, 724 F.2d 932, 941 (Fed. Cir. 1983). And this rule extends to the subsidiary finding of infringement under the doctrine of equivalents. *Wolens* v. *F.W. Woolworth, supra* at 990; *Radio Steel & Mfg. Co.* v. *MTD Products, Inc.*, 731 F.2d 840, 847 (Fed. Cir. 1984).

Contrary to NBS' arguments, the trial court did properly compare the method described in claim 7 of the '120 patent to that of the infringing NBS imprinters. It found that claim to literally read on the NBS imprinters (word-for-word) with the sole exception of NBS' use of "two printing devices." 546 F.Supp. at 348. The trial court also found, however, that the method of the NBS imprinters was the full functional equivalent of claim 7, and it did so on the basis of its assessment and evalua-

tion of the conflicting expert testimony that it heard. After hearing the evidence and judging the credibility of the witnesses that appeared before it, the trial court accepted the testimony of AM's expert and rejected that of NBS' expert. 546 F.Supp. at 348-349. Now, NBS, in effect, asks this Court to reject the trial court's assessment of credibility—as affirmed by the panel—and to adopt as correct the testimony of its experts. As an example, NBS cites the testimony of its expert Williamowsky as "dispositive" (Pet. 6), yet the district court specifically noted his *contradictory* testimony on infringement. 546 F.Supp. at 349. This is clearly not the role of an appellate court:

> "Here there was conflicting oral testimony, and the district court obviously did not find all witnesses equally credible. We reject the plaintiff's suggestion, the effect of which would be for this court to try the case de novo." *Aunt Mid, Inc.* v. *Fjell-Oranje Lines*, 458 F.2d 712, 716 (7th Cir. 1972).

Accord, Rosemont, Inc. v. *Beckman Instruments, Inc.*, 727 F.2d 1540, 1543 (Fed. Cir. 1984). After 11 days of trial, the district court, not this Court, was in a far better position to judge the credibility of the conflicting expert testimony given below and to make the factual determinations on the question of infringement. *See*, Wright, Miller & Kane, Federal Practice and Procedure: Civil 2d § 2586 (1983) (an appellate court must be especially reluctant to set aside a finding based on the trial judge's evaluation of conflicting oral testimony, and will do so only under most unusual circumstances); *Graver Tank & Mfg. Co., Inc.* v. *Linde Air Products Co.*, 336 U.S. 271, 275, 69 S.Ct. 535, 537-538 (1949).

NBS would now also have this Court create a new legal standard for infringement—that the patent specification defines the invention, not the claims (Pet. 3-6). But NBS misstates the law. As recently expalined in *Amstar Cor-*

poration v. *Envirotech Corporation*, 730 F.2d 1476, 1481 (Fed. Cir. 1984):

> "Infringement is *not* determined by comparison between *parts of the description in a patent* and the accused process or product, or by comparison between commercial products sold by the parties. Accused products made, sold, or used, and accused processes performed, before suit *must be compared with the claims*." (Emphasis added).

See also, *Raytheon Co.* v. *Roper Corporation*, 724 F.2d 951, 957 (Fed. Cir. 1983); *A.B. Dick Company v. Burroughs Corporation*, 713 F.2d 700, 702 (Fed. Cir. 1983); *Fromson* v. *Advance Offset Plate, Inc.*, 720 F.2d 1565, 1568 (Fed. Cir. 1983). These authorities amply demonstrate that NBS' view of the law is wrong. Both the district court and panel applied the proper legal standard to their infringement analysis.

3. *Anticipation*

Flatly contrary to NBS' petition, the standard of anticipation adopted by the panel is precisely the law of both this circuit and the Court of Appeals for the Federal Circuit. In fact, the panel quoted from *Saunders* v. *Air-Flo Co.*, 646 F.2d 1201, 1203 (7th Cir. 1981) in enunciating the standard that NBS now urges (Op. 14). Moreover, it has been uniformly held—as the panel so states—that anticipation is strictly a technical defense and unless all of the same elements are found in a single item of prior art in exactly the same combination and united in the same way to perform an identical function, there is no anticipation. *Radio Steel Mfg. Co.* v. *MTD Products, Inc.*, 731 F.2d 840, 845 (Fed. Cir. 1984); *Leinoff* v. *Louis Milona & Sons, Inc.*, 726 F.2d 734, 738 (Fed. Cir. 1984); *Roberts* v. *Sears, Roebuck & Co.*, 723 F.2d 1324, 1332 (7th Cir. 1983). Given the panel's application of the *correct* legal standard, it becomes apparent that NBS,

once again, merely seeks a rehash of the evidence considered by the trial court. Moreover, the district court's determination of differences between the prior art and claim 7 is a factual underpinning to the anticipation analysis, and, as such, must be reviewed under the Rule 52(a) clearly erroneous standard. *Kalman* v. *Kimberly-Clark Corp.*, 713 F.2d 760, 771 (Fed. Cir. 1983); *Carman Industries, Inc.* v. *Wahl*, 724 F.2d 932, 938 (Fed. Cir. 1983). NBS has simply failed to demonstrate that the district court findings on anticipation are clearly erroneous.

NBS also argues that the panel made improper *de novo* findings (Pet. 8). Careful review of the panel's analysis (Op. 14-16) demonstrates, however, that it simply did not make new findings; rather, it made an assessment of the record to determine the propriety of the district court's factual findings and legal conclusions. This is precisely what an appellate court is supposed to do.

4. *Obviousness*

NBS contends that the failure of the district court to make a specific factual finding on the level of skill in the art requires remand (Pet. 9-10). The panel properly rejected this argument since a subsidiary finding such as level of skill may be properly inferred from the totality of the district court opinion, particularly where the prior art and expert testimony reflect—as in this case—the appropriate level. As explained in *Chore-Time Equipment* v. *Cumberland Corp.* ,713 F.2d 774, 779 (Fed. Cir. 1983):

> "We hold only that an invention may be held to have been either obvious (or nonobvious) without a specific finding of a particular level of skill or the reception of expert testimony on the level of skill where, as here, the prior art itself reflects an appropriate level and a need for such expert testimony has not been shown."

This is precisely the kind of analysis which the panel made—referring specifically to the "prior art itself" (Op. 11) and additionally to the expert testimony received at trial as proper bases for the trial court's conclusions. NBS once again mistakenly labels the panel's comments and analysis of the record as *de novo findings*, when in fact they reflect nothing more than the proper review of the record to determine the propriety of the district court opinion.

5. *On Sale*

Here, NBS incredibly contends that:

> "The panel opinion acknowledges that imprinters which perform the claim 7 method had—before the 'bar' date—been . . . released . . . 'to fill an existing order with imprinters embodying the '120 invention' (Op. 19) which AM 'intended to ship to AAR.'" (0p. 18). (Pet. 12).

There is absolutely nothing in the panel's opinion that suggests AM's intention to ship to AAR imprinters embodying the '120 invention before the bar date. In fact, the panel made just the opposite point:

> "Before October 22 [the bar date] there is no evidence that AM even mentioned the model of imprinters it intended to ship to AAR." (Op. 18).

Apparently in its never ending quest to "nit pick", NBS simply misunderstood the panel opinion in making its erroneous representations to this Court.

As with so many other arguments raised here by NBS, the question of an on-sale bar is one of fact. Here, the trial court held that NBS had not established "commercial activity of any kind with the required intention [on AM's part] to exploit the '120 invention." 546 F.Supp. 354. The panel agreed with this conclusion and then explained why, supporting its reasoning through reference

to the record (Op. 18-19). Thus, the panel did not engage in *de novo* fact finding, but instead demonstrated through the record evidence that the district court was right.

NBS suggests that the panel's analysis is inconsistent with "controlling" precedent, citing the *Kinzenbaw* decision (Pet. 12). *Kinzenbaw*, however, deals with a "public use" question which is inapposite to the "on sale" issue present in this case. In fact, NBS cites no authority contrary to the panel's disposition of its on sale defense.

6. *Fraud*

As the Court of Appeals for the Federal Circuit observed in *Kimberly-Clark Corp.* v. *Johnson & Johnson*, 223 U.S.P.Q. 603, 614 (Fed. Cir. 1984):

> " 'Fraud in the PTO' has been overplayed, is appearing in nearly every patent suit, and is cluttering up the patent system."

And NBS is doing its best to maintain the clutter. Both the district court and the panel recognized, however, that NBS' fraud case had been grossly overplayed. All three AM patents in suit were alleged to be fraudulently procured, but none was so found.

Interestingly, since both the trial court and panel held that NBS had not met its substantial burden of proving fraud through clear, unequivocal and convincing evidence, NBS now tries to lower the standard—it wants fraud to be judged by merely a preponderance of the evidence. As much as NBS might wish it to be so, this is simply not the standard of proof required under the applicable and controlling precedent. The standard was—and still is—clear, unequivocal and convincing evidence, and is even defined as such in one of the "fraud" cases cited by NBS. *Driscoll* v. *Cebalo*, 731 F.2d 878, 884 (Fed. Cir. 1984); *see also, Rohm & Haas Co.* v. *Crystal Chemical Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983); *Kansas Jack, Inc.* v.

Kuhn, 719 F.2d 1144, 1151 (Fed. Cir. 1983). It is noteworthy that all of these decisions post date the *Herman & MacLean* v. *Huddleston* decision relied upon by NBS in support of the lower standard, and none cites it. There is good reason—*Herman & MacLean* deals with a Section 10(b) fraud claim under the securities laws, and the Court specifically distinguished the burden necessary in that context and the more onerous burden found in civil fraud actions. 459 U.S. 375, 103 S.Ct. 683, 691 (1983). Given the limited application of *Herman & MacLean*, it is irresponsible to suggest—as NBS does—that the panel denied it the right of appeal by "departing from controlling precedent" (Pet. iii).

NBS simply had no case for fraud and, therefore, failed in its proofs. Rehearing by this Court will not change that fact.

IV. *CONCLUSION*

Rehearing is not appropriate in this case for any one of the reasons set forth above. NBS' petition for rehearing with suggestion for rehearing in banc should, therefore, be denied.

Respectfully submitted,

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APPENDIX P

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

Appeal No. 82-2393

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs-Appellants

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants-Appellees

Appeal from the United States District Court
for the Northern District of Illinois,
Eastern Division

PETITION FOR REHEARING OF
"APPELLANTS' MOTION FOR SANCTIONS"
WITH SUGGESTION FOR REHEARING EN BANC

Filed February 14, 1985

SUGGESTION FOR REHEARING EN BANC

This petition is of exceptional importance because the panel, by summarily denying "Appellants' Motion for Sanctions", has significantly lowered the professional conduct standards appropriate in this Court, all in conflict with *McCandless v. The Great Atlantic and Pacific Tea Co., Inc.*, 697 F.2d 198, 202 (7 Cir. 1983) and *Quality Molding Co. v. American National Fire Insurance Co.*, 287 F.2d 313, 316 (7 Cir. 1961), *cert. denied*, 368 U.S. 826 (1961).

Specifically, the panel has held that it is acceptable conduct for counsel, in support of his argument, to distort the record and mislead the Court by quotations which deliberately omit passages which undercut his position and otherwise deliberately to misrepresent material facts. The panel has also held that a judgment thus wrongfully induced is valid and need not be vacated.

The professional conduct standards set forth in the Court's opinion cannot be overruled or disregarded by a single panel, including one district court judge, but only by the Court *en banc.*

Because this Court is "duty-bound to guard its segment of the judicial process against abuse", *Cornell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1554 (Fed. Cir. 1983), *en banc* rehearing of the aberrant summary denial of the NBS sanctions motion is appropriate.

PETITION FOR REHEARING

The panel's January 24, 1985 order summarily "denied" "Appellants' Motion for Sanctions". Rehearing is sought because that order is in conflict with prior decisions of this Court and with the Court of Appeals for the Federal Circuit which define minimum professional conduct standards.

If this Court has adopted a new and lower professional conduct standard, then a reasoned opinion explaining why should have been filed for the guidance of the bar as a whole—and of the Supreme Court in its consideration of the petition for certiorari now in preparation.

On the other hand, if this Court's standards of professional conduct have been conveniently lowered only to dispose of this patent case and solely for the benefit of AM and AM's counsel, then the denial of the sanctions motion must be reversed because it destroys the integrity of the judicial process.

In *McCandless v. The Great Atlantic and Pacific Tea Co., Inc.*, 697 F.2d 198, 202 (7 Cir. 1983) this Court—affirming the district court's imposition of sanctions, including an attorney fee award against counsel, stated through Judge Pell:

> *In support of his argument on this point to the district court counsel misquoted a case by omitting a sentence that undercut his position.* We have previously stated that, "A sloppy mistake in a quotation might be at least understandable on the part of a careless attorney. But a deliberate misquote calls for strong condemnation." *Quality Molding Co. v. American National Fire Insurance Co.*, 287 F.2d 313, 316 (7th Cir. 1961), *cert. denied*, 368 U.S. 826, 82 S.Ct. 45, 7 L.Ed.2d 29. . . .[1] (Emphasis added.)

Quality Molding, cited in *McCandless*, imposes a duty upon "attorneys whose names are fixed to briefs filed in this court to see to it . . . that statements therein are completely accurate". 287 F.2d at 316.

AM's appeal brief misquotes from the specification of the '120 patent by omitting passages which undercut its

---

[1] The Federal Circuit, citing *McCandless*, has held:

> Envirotech . . . goes on to employ a distorted quotation from Eis' prosecution history, the distortion constituting a deletion of precisely the language which totally undermines its argument. . . .
>
> * * * *
>
> Distortion of the record, by deletion of critical language in quoting from the record, reflects a lack of candor required by the MODEL RULES OF PROFESSIONAL CONDUCT, Rule 3.3 (1983), wastes the time of the court and of opposing counsel, and imposes unnecessary costs on the parties and on fellow citizens whose taxes support this court and its staff. A quotation containing deletions that so clearly distort the meaning and relevance of the quotation as to render it misleading will not in this court be encouraged by acquiescence. *Amstar Corp. v. Envirotech Corp.*, 730 F.2d 1476, 1485-1486 (Fed. Cir. 1984) (Footnote citing *McCandless* omitted.)

infringement position, i.e., that claim 7 is not limited (as NBS contends) to printing a single line only of embossing, in isolation, from other adjacent lines of embossing to obtain a clear imprint of the single line. (See the NBS Sanctions Memo, pp. 12, *et seq.*)

Specifically:

(i) D.Br. 3 quotes from the '120 patent, Col. 2, line 29 through a portion of line 38. It then replaces the following sentence by ellipsis:

> *In particular one of the platens is arranged to come into printing relation with a single line only of MICR type and to roll therealong from end to end without reaching any adjacent line of type.*[2] (Col. 2, ll. 38-41; emphasis added.)

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[2] That this deleted sentence undercuts AM's infringement position and that the deletion distorts the '120 patent specification is apparent from the following quotation taken from page 3 of AM's brief:

> It explains the practical significance of the dual platen/opposite stroke method defined in claim 7:
>
> "According to the present invention the foregoing objects are attained by providing a data recorder for imprinting a form set from a printing plate having two distinct groups of embossed characters thereon. The data recorder is provided with dual roller platens which are independently operative to imprint one group of characters with one of the platens when the platens are moved in a first direction across the form, and to imprint the other group of characters with the other platen when the platens are moved in the opposite direction across the form." (AX-1 [the '120 patent], col. 2, lines 29-38)
>
> * * * *
>
> "*The uniformity of the pressure thus applied* to the form set and embossed plate by the dual platen arrangement provides a clear, dense image of the MICR type on the form, which image is free of ragged outlines and has the degree of clarity and sharpness required for automatic reading." (AX-1, col. 2, lines 41-46) (Emphasis added.)

In context, the expression "[t]he uniformity of the pressure thus applied . . ." refers to the arrangement explained in the deleted

(ii) Also at page 3, D.Br. similarly distorts the '120 patent by quoting from Col. 5, line 66 through a portion of line 69. It then replaces the following statement with ellipsis:

> The imprinting of these data [i.e., "embossed data such as TC on plate P, as well as from the station plate S and the dater"] takes place when the platen carriage is moved from left to right as viewed in FIG. 1, during which time [*narrow*] platen 88 is raised. The return stroke out of the platen carriage *raises* [*wide*] platen roller 86 out of printing engagement with the form and the printing devices and, at the same time, *lowers* [*narrow*] platen roller 88 into printing engagement with the form to effect [*isolated*] imprinting *from the embossed MICR characters on plate P.* (Col. 5, l. 69-Col. 6, l. 2; emphasis added.)

The *NBS* infringement position is bottomed on the rule of law—so far abrogated by this Court [3]—that claim 7 must be read in light of the '120 specification and that, when so read, the claim requires the isolated imprinting, on one stroke of the imprinter carriage, of only a single line of embossing, *just as the passages omitted from the AM brief clearly state*:

> The contention of NBS is that the sole invention described in the . . . '120 patent . . . is to imprint a

---

sentence pursuant to which "one of the platens [comes] into printing relation with a single line only of MICR [or OCR] type . . . to roll therealong from end to end without reaching any adjacent line of type" (Col. 2, ll. 38-41).

[3] See, e.g., *United States v. Adams*, 383 U.S. 39, 40 (1966); *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 760 (Fed. Cir. 1984); *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, 961 (Fed. Cir. 1983) ("[w]hether an accused device infringes *properly interpreted claims* is a fact question . . ."); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1569 (Fed. Cir. 1983) (claim *interpretation* is a *question of law* for the court).

machine code line of . . . OCR characters in isolation from other closely spaced lines of embossing on a printing device; . . . and that the accused imprinters do *not* so function and hence do not infringe. . . . (P.Br. 39, n.62)

* * * *

[C]laim [7], in accordance with the disclosed *invention*, requires the machine code line of embossing constituting "one portion of the printing device" (illustrated in Fig. 1 by the CE portion of P) to be imprinted with one roller platen in *isolation* from "the other portion of the printing device" (illustrated in Fig. 1 by the TC portion of P). *It is simply immaterial whether a station plate (S in Fig. 1) is also present, or whether that plate (S) is imprinted concurrently with the "other [TC] portion of the printing device [P]",*[67] *by the second roller platen. . . .*

[67] For this reason, there is no relevance to Maul's testimony that "at the time the '120 invention was developed, up to the present, the imprinting art has used printing device to mean a credit card and station plate either separately or in combination" (App. 7a) . . . .

Because NBS imprinters do *not print* "one portion of a printing device" in isolation from its "other portion" to assure machine readability of the "one portion", they do not use "the same process steps in substantially the same way to accomplish substantially the same results" as claim 7. . . .[4] (P.Br. 42-43)

[4] Unable to meet this NBS position on its merits, AM's brief disingenuously counters with the demonstrably false statement:

> NBS's "different result" basis for urging that the trial court's finding of equivalence is clearly erroneous (P.Br. 42-43) is also based upon the false premise that claim 7 is limited to imprinting the single lines of MICR characters and has no applicability to printing OCR characters (P.Br. 40 n. 64) . . . . (p. 14, n. 7)

The NBS brief (p. 39, n. 62) demonstrates that this statement by AM's counsel is a deliberate falsehood:

That the panel was misled by AM's distortion of the '120 patent specification is cogently evidenced by its opinion. That opinion does *not even mention*, much less *consider on its merits*, the NBS infringement position which is posited in significant part on the very portions of the '120 patent specification which are omitted from quotations at p. 3 of the AM brief. Instead, the panel itself distorts the NBS infringement position by ripping a single clause from the NBS brief *out of context*, and then resting its ruling on the very testimony concerning the meaning of "printing device" which that brief repeatedly shows to be *immaterial* to the *true* NBS position—which the panel has refused to consider.[5]

The sanctions memorandum also demonstrates—without meaningful challenge—that AM's brief includes several representations—some of which clearly misled the panel—which are totally false and, hence, in derogation of the duty imposed on counsel by Rule 3.3 of the Model Rules of Professional Conduct and by *Quality Molding*, *supra*, to see to it that statements in briefs are "completely accurate".

A non-exhaustive list includes:

(i) Concerning the effect of the Patent Office reissue decision, D.Br. 21 represents falsely that

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Contrary to the District Court's statement, plaintiff never argued for "limiting the '120 invention to printing only one row of MICR characters' (App. 19a; see also App. 5a) . . . .

[5] According to the panel:

The NBS imprinters print from one plate on the first stroke and a second plate on the return stroke. *NBS argues that claim 7 is limited to imprinting "from different portions of the same embossed printing device" on opposite strokes.* The court, however, specifically credited the testimony of AM's expert that "at the time the '120 invention was developed, up to the present, the imprinting art has used printing device to mean a credit card and station plate either separately or in combination." Thus, it is clear that claim 7 encompasses the variation practiced by NBS . . . . 734 F.2d at 1238.

> [T]he trial court in this action had before it a far more comprehensive and complete record than that before the Examiner in the reissue proceedings. The trial court heard live testimony from expert witnesses. . . . It observed . . . in-court demonstrations. . . .

This false statement is mimiced by the panel's statement that

> Here, special deference to the Patent Office decision is particularly inappropriate because . . . the district court [had] the benefit of extensive proof by expert testimony and demonstrative evidence. . . . 743 F.2d at 1232.

See the sanctions memorandum, item 1, pp. 1, *et seq.*

(ii) With respect to the issue of anticipation of claim 7 by the Cox patent, D.Br. 25 falsely represents that the district court found to be "substantial" alleged "differences" set forth in testimony appearing at R. 1151-52.

This flatly false statement is echoed by the panel, which incorrectly states that

> The district court cited this testimony in its opinion and plainly relied on [it]. . . . 743 F.2d at 1235-1236.

The testimony—which the district court did not cite but which appears at R. 1151-52—is quoted following the ellipsis in the panel's n.6.

See the sanctions memorandum, item 2, pp. 4, *et seq.*

(iii) It is undisputed that the Maul testimony at R. 1479-83 actually involving a bad faith "demonstration" is seriously mischaracterized at D.Br. 10 and 39 and in the Appendix to AM's brief.

See the sanctions memorandum, pp. 17, *et seq.*

(iv) D.Br. 37 states falsely that

> The patented method of claim 7 eliminated the . . . single stroke/two platen systems of the prior art. . . .

See the sanctions memorandum, pp. 21, *et seq.*

Conclusion

According to *The Wall Street Journal* for Wednesday, February 6, 1985, the Tax Court has recently warned that

> "Practitioners who do not comply with appropriate professional standards can expect to be served with orders to show cause why they should not be disciplined for such failure". . . . (p. 1)

AM counsel's opposition to the sanctions motion does not effectively deny any of the foregoing improprieties. Instead, their sole argument is that this Court, having failed to address these improprieties when raised in the NBS reply brief, should now disregard them again.

There is simply no reason why the unprofessional conduct, in effect, confessed by AM counsel should not, if appropriate professional standards are to be maintained in this Court, result in an order to show cause why such counsel should not be disciplined and in an order vacating this Court's judgment.

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APPENDIX Q

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

ORDER

Filed February 20, 1985

This matter comes before the court for its consideration of the following documents:

1. "APPELLANTS' MOTION FOR LEAVE TO FILE 'PETITION FOR REHEARING OF "APPELLANTS' MOTION FOR SANCTIONS" WITH SUGGESTION FOR REHEARING EN BANC' " filed herein on February 7, 1985, by counsel for plaintiffs-appellants.

2. "PETITION FOR REHEARING OF 'APPELLANTS' MOTION FOR SANCTIONS' WITH SUGGESTION FOR REHEARING EN BANC" filed herein on February 14, 1985, by counsel for plaintiffs-appellants.

3. "APPELLEE'S MOTION TO RECONSIDER ITS ORDER OF STAYING THE ISSUANCE OF MANDATE" filed herein on February 8, 1985, by counsel for the defendants-appellees.

4. "APPELLANTS' OPPOSITION TO 'APPELLEE'S MOTION TO RECONSIDER ITS ORDER OF STAYING THE ISSUANCE OF MANDATE' " filed herein on February 13, 1985, by counsel for the plaintiffs-appellants.

On consideration thereof,

IT IS ORDERED that appellants' motion to file petition for rehearing of "appellants' motion for sanctions" with suggestion for rehearing en banc, is GRANTED and the clerk of this court is directed to file instanter appellants' petition for rehearing of motion for sanctions. After reconsideration, we adhere to our previous order, refusing to sanction appellees.

IT IS FURTHER ORDERED that appellees' motion to reconsider order of staying the issuance of mandate is DENIED.

APPENDIX R

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Civil Action No. 80 C 4915

Judge Nicholas J. Bua

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs,

v.

AM INTERNATIONAL, INC.,
Defendant.

Civil Action No. 81 C 6227

Judge Nicholas J. Bua

NATIONAL BUSINESS SYSTEMS, INC., *et al.*,
Plaintiffs,

v.

AM INTERNATIONAL, INC., *et al.*,
Defendants.

PLAINTIFFS' SUPPLEMENTAL PROPOSED
FACT FINDINGS

Filed June 28, 1982

XXIV. DEFENDANTS' PROPOSED FINDINGS MISCHARACTERIZE THE RECORD

245. At the core of defendants' infringement charge is the contention that the patent claims at issue validly monopolize "double roller double stroke" imprinters—i.e., imprinters having one platen roller which simultaneously imprints all of the lines of embossing, including the machine code line, from a credit card on one stroke and a second platen roller which imprints all of the lines of embossing from a station plate on a second stroke.

246. To support their infringement charge, defendants proposed findings [1] mischaracterize the record and misrepresent material facts in an attempt to show that there is a difference of practical significance between the quality of imprints produced by "double roller double stroke" imprinters and by both single and double platen roller imprinters which imprint all of the lines of embossing from a credit card or a credit card and station plate in a single stroke. Such mischaracterizations and misrepresentations include the following:

(a) P. Facts 28 and 29, I 18-19,[2] cite and quote the testimony of NBS Vice President Milano, to expose as "seriously misleading" a demonstration conducted by Maul on the next to the last day of the trial to show "to the Court the quality of imprinting achieved by an imprinter having a double roller, single stroke configuration as compared to an imprinter having a double roller double stroke configuration" (R. 1479, ll. 1-6).

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[1] "AM's Proposed Findings of Fact, Conclusions of Law and Judgment Order" and "AM's Supplemental Proposed Findings of Fact" which are cited as "D. Fact ——".

[2] "Plaintiffs' Proposed Findings of Fact" are designated Volume I and "Plantiffs' Supplemental Proposed Findings" are designated Volme II. Thus, P. Fact 28, I 18 indicates Fact 28 which appears at page 18 of "Plaintiffs' Proposed Findings of Fact" and P. Fact 242, II 1 indicates Fact 242 which appears at page 1 of "Plaintiffs' Supplemental Proposed Fact Findings".

To discredit Milano's evidence and thus rehabilitate Maul's sham demonstration, D. Fact 12B first misrepresents that NBS Vice President Milano testified:

> ". . . that single-stroke and double-stroke imprinters produce *identical* impressions which achieve *equal scanning rates* . . . (R. 1543-46)"

—and *then* charges that this fabricated Milano "testimony" is in "conflict" with (i) what Milano "admitted" on cross-examination and also with (ii) "the prior deposition testimony of NBS's Mr. Raymond and Mr. Newcomb".

(i) There is no "conflict" in Milano's testimony. The single stroke imprinter AX-28A was *not* properly adjusted when used by Maul in his demonstration. Milano adjusted the imprinter and:

> ". . . proceeded to make an imprint (PX 141 and 142) with the properly adjusted single stroke imprinter AX 28A and imprints (PX 143 and 144) with the double stroke imprinter AX 32A (R. 1539, l. 9-1543, l. 18)." (P. Fact 30, I 20-22.)

Milano then testified:

> 'Q Do you *see any significant difference* in the quality of the imprint made with the single stroke and double stroke machine, the ones that you have just made that are here?
>
> 'A No, I do not.' (R. 1543, ll. 20-24)" (emphasis added)[3]

Milano's direct testimony is consistent and not in conflict with his testimony on cross-examination that "[m]y eye can see there is a variance" when asked if he could

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[3] Pointedly, Milano did *not* testify at "(R 1543-46)", as falsely stated in D. Fact 12B, that the single and double stroke imprinters "produce *identical* impressions" *or that* the impressions from the two imprinters "achieve *equal scanning rates*".

"determine on PX 141 if there is a lighter impression" "on the letters 'a-r-d-g-m-i-l-a-n-o' than there is on the letters 'e-d-w' and '7-82' "; and that the "different elevation between the credit card on one hand and the station plate on the other" was *not* "a possible reason" for the "variance" for which he could not otherwise account (R. 1550, l. 23-1553, l. 10). On redirect, Milano reaffirmed the substance of his direct testimony stating:

> "Q Mr. Cook has called your attention to lighter impressions on certain letters than others on one of these formsets. Did those make any practical difference as far as the scanning is concerned?" (R. 1553, ll. 16-19)
>
> * * * *
>
> "A No." (R. 1553, l. 22)[4]

(ii) The "conflict" between Milano's direct testimony and that of Raymond and Newcomb, postulated by D. Fact 12B, does not exist. That synthetic "conflict" is premised not only on the aforementioned synthetic testimony which Milano never gave, but also on the further false statement in D. Fact 12B that:

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[4] This testimony specifically concerning the imprinted form set, PX 141, also accords with Milano's direct testimony given earlier at R. 1533 in response to a broader question:

> "Q What is the difference in quality of the imprint made by these two kinds ['double roller one stroke' and 'double roller two stroke'] or imprinters that you have observed yourself, sir?
>
> "A No difference." (R. 1533, ll. 4-7)

This testimony is corroborated by the fact, as Milano also stated, that both single and double stroke double roller imprinters are made and sold by NBS because of "customer preference"; that "large volumes" of single stroke imprinters are sold and that "generally . . . in Europe single stroke imprinters are preferred to double stroke imprinters . . .". See P. Fact 27(iii), I 16. Farrington sells both single stroke (PX 65) and double stroke (PX 67) versions of its Model 1000 imprinter—both designed by Maul. See P. Fact 27(v), I 17.

". . . Both of these witnesses [Raymond and Newcomb] stated unequivocally that better impressions are provided with double-stroke imprinters than by single stroke imprinters, and that the better impressions result in higher OCR scanning rates. (AX-54E, p. 413; AX-54C, p. 51)." (D. Fact 12B)

In fact, the cited testimony of both Newcomb and Raymond tends to corroborate Milano's statement that no "significant differences" exist "insofar as the scanning is concerned" between imprints from single and double stroke imprinters having two platens.

NBS' president Raymond testified that:

". . . it's a matter of preference. . . . The 710 has one stroke and there are customers who prefer a one stroke because there is no chance then of missing data on the return stroke"; that because the station plate and credit card locations could be separately adjusted on the imprinter bed, in his personal "opinion", the imprint quality of the double stroke imprinter is a "little better" than with the single stroke imprinter; and that it was his "understanding" that it "likewise provide[d] for a lower reject rate" (AX 54-E, pp. 411-413)

Mr. Newcomb testified that:

". . . Farrington was interested in selling a version of its *Model 888* [PX-70] which embodied a double roller, double-stroke configuration" because "[t]here were competitive factors that indicated that there was possibly a better way to get the job accomplished —that is, to imprint a document—by using a dual-action [double stroke] imprinter" and that "[t]he attempt was to improve the product. . ."

"And in order to improve the product, it was *assumed* at *that point*, which was *early* in the development of the technique, that if you captured certain

information on one stroke, going left to right, with the balance of the information on the right to left stroke, that you would get a resultant improvement in quality of the total impression" "on the formsets" and that "it was so *assumed*" that ". . . better quality impression would permit easier or better optical character reading. . ." (AX-54C, pp. 50-51) (emphasis added)

Newcomb then testified that *he* was "responsible for placing" the modified "Model 888 embodying the double stroke, double-roller configuration . . . in the field", i.e., the "Model 888 modified"; that he had "a chance to operate this modified Model 888"; and that:

". . . Comparing it to the standard 888, I would say there *was little reason or there was no reason to say it gave a superior impression.* It was another imprinter, another technique"; that "no" it did *not* "*appear to* [*him*] that the impression developed from the modified 888 was better than the impression developed by the standard Model 888, assuming comparable operating conditions" and that "I think there was *no*, you know, *significant improvement in either one of the imprints. They were both highly acceptable as far as a usable product.*" (AX-54C, pp. 67-70) (emphasis added)

(b) D. Facts 12 and 28 quote fragments of the testimony of Farrington's employee Patterson said to show that the same modified (double stroke) Farrington 888 imprinter about which Newcomb testified:

". . . improved scanning rejection rates by 50% to 75%, from about 25% reject rate with the standard [single stroke] Model 888 to about a 12% rejection rate. (AX-54A, pp. 30, 34, 190-191)." (D. Fact 28; see also D. Fact 12)

In testimony which D. Facts 12 and 28 ignore, Patterson admitted that he had no factual basis to support his

testimony as to the comparative reject rates of the involved imprinters:

"Q. There is an answer in lines 17 and 18, page 34, which reads 'in my recollection probably 50, 75 percent better, somewhere in that order.' Next question: 'Than with the 888?' Answer: 'Yes.'

"I will pursue it in this way. *What was the reject rate on the* [*unmodified, standard single stroke*] *888* [PX-70]?

"A. That is difficult to answer because it's dependent on media that was being imprinted and the media being read. *I can't give an overall answer to that.*

"Q. *I'm trying to find a basis, Mr. Patterson, for your testimony about the probably 50, 75 percent better, somewhere in that order.* Compared to what? I mean I know compared to the 888, but compared to what was the reject rate of the 888.

"A. *Again, I can't give you a specific. I'm sorry.* This has to be somewhat of an I'll use the term *gut feel* from having been working so much with the 888 and the two-way head. *Historically, perhaps* the reject rate in the banking industry at that time probably would have been somewhere in the neighborhood of—it would have been a gross reject rate of somewhere around 25 percent perhaps, a little more than that. That's an overall average.

"Q. The two-way head maybe would have reduced that to 15 or 12?

"A. I would say down in that order, that type of magnitude, yes.

"Q. *What was your experience* which leads you to know what the bank reject rate was at this point in time?

"A. *Probably* figures mostly obtained from the ABA, American Banking Association.

"Q. *Do you recall specifically?*

"A. Do I recall specifically?

"Q. *Specfically? Any specific figures?* Any specific ABA publications that indicated the banking reject rate was 24 percent?

"A. *No, sir, because figures like that were not published.*" (AX-54A, p. 190, l. 12-p. 192, l. 5) (emphasis added)[5]

(c) D. Fact 30 mischaracterizes the evidence to state:

"NBS abandoned *these* single roller, single stroke forms in favor exclusively of the *double roller* forms which could be and were set for *doublr* [sic] stroke operation. (AX-54E, pp. 30, 103-06)" (emphasis added).

Contrary to the false inference which D. Fact 30 invites, NBS sells double roller, *single stroke* machines in large volumes. See P. Fact 27(iii), I 16; AX 54E (Raymond) p. 408, and the Raymond testimony summarized in P. Fact 246(a)(ii), *supra*, p. 7.

(d) D. Fact 11-S mischaracterizes the evidence to indicate that "a number of disadvantages" attributed to "single stroke data recorders" do not characterize double stroke imprinters and that double stroke imprinters are not attended by off-setting disadvantages. For example:

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[5] Heasly, now President of Security Imprinters, who joined Farrington in about 1959 and remained in its employ until 1965 (PX 140, Heasly, p. 34, l. 21) testified that the reject rate "of tickets printed by the Farrington 833 [AX 18, single platen roller] imprinter when read by Intelligent Machines' OCR equipment" "would vary from less than one percent to as high as 12 percent depending almost entirely on the field conditions under which the documents were created"; that the "reject rate" for the Farrington 833 imprinter would have been "well under one percent" if the machine was "properly adjusted and . . . run under . . . laboratory conditions"; that the same facts "were also true of the [Model] 845" (PX 140, Heasly, pp. 19-20); and that "the reject rate of the Farrington machine" did not "change prior to the time [he] left Farrington" (PX 140, Heasly, p. 35)

(i) Contrary to the inference invited by D. Fact 11-S, P. Facts 97(vi) and (vii), I 157-158, show that it was common knowledge in the 1950's—long before the alleged Gruver and Johnson inventions were made—that the force required to move an imprinter carriage is determined by friction, including the number of lines of embossing to be imprinted per stroke; that a reduction of the number of such lines would commensurately reduce the force required to move the carriage; and that this could be accomplished by imprinting part of the lines of embossing with one roller on one stroke and the remainder with another roller on another stroke.[6] See P. Fact 196(vii), I 158.

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[6] 246.1 D. Fact 73A asks the Court to make a "clearly erroneous" (Rule 52(a)) finding that "Mr. Bradford's testimony is given no weight as to the alleged prior developments; his testimony is considered for showing that Farrington's personnel were unable to complete and commercialize the '120 invention before AM's personnel did".

Contrary to D. Fact 73A, Bradford testified that he personally participated in "almost every one of" the "demonstrations to the oil companies" (R. 954) of double roller double stroke imprinters which he and his co-workers at Farrington assembled "in the late '50's" (R. 935); that "the way we demonstrated it, okay, we would imprint the credit card on one stroke and then reverse and imprint the station plate and date on the second stroke . . . with an imprinter that had two roller platens" and that "one printed the card on the left to right stroke and one printed the plate on the right to left" (R. 936-7); and that he was "quite sure about [his] testimony" (R. 954); that he recalled "two different" double roller double stroke "machines" one characterized as "cumbersome" which "had two eccentric shafts" and with which "we could imprint part in each of the two strokes" and "another machine" that "had a single shaft with a double eccentric operated with a cam lever and we had a split . . . roller platen in the machine . . . it would imprint one half of the imprint on one stroke and half on the other stroke" (R. 955-56). Bradford further testified that work on these double roller double platen machines was "discontinued" because "at that time it was too expensive for one thing. Secondly, the customer reaction to the . . . possibility of making only a partial transaction was another thing", i.e., that "[i]f you made one stroke only . . . you had an incomplete transaction" (R. 957).

(ii) D. Fact 11-S interprets R. 192, which does not in terms so state, to indicate that "broken gear sectors on the AM Model 12-48 single platen data recorders" were caused by allegedly "high imprinting force" required by single stroke AM Model 12-48 imprinters. As stated in P. Fact 236(d), I 197, Wasson testified on cross-examination that the segment gear "problem", about which he testified in the context of the 12-45 and 12-48 machines, might have been a "strength of materials problem and not a design problem" because the gears were made of plastic and "it could have been a manufacturing adjustment problem", and that he *didn't* "mean to indicate *when he said the segment gears broke*[7] that there was anything wrong with the design of the imprinter. . ." (R. 286, ll. 3-20).

(iii) D. Fact 11-S states:

> ". . . Plastic credit cards were often damaged in the single roller data recorders. (R 185, 188, 948). . .".

The inference that plactic cards are not damaged in double roller data recorders and that double roller imprinters damage credit card imprinters less than single roller imprinters is false. Moreover, the "problem" is illusory because credit cards are issued for limited times. See P. Fact 197(x), I 160-161.

(iv) D. Fact 11-S states:

> ". . . With the data recorders which printed on one stroke and had a free return, no imprint at all would be obtained if the previous operator removed the form and credit card before the platen carriage was returned to the beginning position. (R 185-188). . . ."

The counterpart "disadvantage" of double stroke imprinters, to which D. Fact 11-S does not advert, is that an incomplete sales transaction is recorded if the operator

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[7] The underlined portions from the quotation from P. Fact 236 indicate words inadvertently omitted but inserted by the concurrently filed errata.

removes the form or the credit card at the end of the first stroke.

It is this "disadvantage" which foreclosed the commercialization of double roller double stroke imprinters for Farrington prior to 1960 (see P. Fact 197(vi), I 157) and which dictates the preference of many customers for single stroke double roller imprinters which are sold in large volume. See P. Fact 246(a)(ii), *supra*, p. 7.

(e) D. Facts 12A[8] and 27-S[9] mischaracterize the evidence to represent that the AM Model 12-48-3 and 12-48-4 MICR data recorders, which failed in the marketplace (see P. Fact 32, I 22), were a "commercial success".

None of the record citations in D. Fact 12A makes any reference whatever to any "successful" commercial use of the Model 12-48-3 and 12-48-4 MICR imprinters. Specifically, (1) at R. 111-112, Wasson testified that the Model 12-48-4 was used "for coding of deposit tickets" but said nothing about the use being "successful", commercially or otherwise; (2) at R. 246, Wasson testified that the 12-45 imprinter which did not have a double eccentric platen would not make a satisfactory MICR imprint; and (3) at R. 1511, Wasson testified only that Model 12-48 double eccentric platen imprinters were first delivered to any customer, if he recalled the facts correctly, "something in the spring of 1964".

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[8] "Although MICR devices were used *only* in the financial industry, the AM Models 12-48-3 and -4 were successfully used to make MICR scannable imprints on checking deposit tickets. (R 111-112, 246, 1511)"

[9] "AM also successfully commercially used the '120 Johnson and '800 Gruver inventions in the AM Model 12-48-3, -4, and -7 data recorders with double eccentric platens, beginning in 1964, for imprinting MICR characters. These imprinters for the first time successfully provided acceptable MICR imprints. (R 248) Nearly two thousand Model 12-48-3 and -4 imprinters alone were sold in the double eccentric platen roller form. (PX-12M)"

Contrary to D. Fact 27-S, there is *nothing* at "R 248)" to support the representation that "these imprinters *for the first time provided acceptable MICR imprints*". The record states only that the reason why AM substituted the double esccentric platen into the 12-48-3 and 12-48-4 was "to get a more effective or better quality MICR imprint" (R. 248, ll. 13-17). The testimony does not say that the objective was realized. Korfmann's undisputed testimony that the imprinters were withdrawn from the market because of "low sales volume" (see Fact 32(iii), pages I 22-23) indicates that these imprinters did *not* provide "acceptable MICR imprints." [10]

247. Defendants mischaracterize the evidence, misrepresent material facts and distort the plaintiffs contentions all in a meritless effort to show that the patent *claims* at issue validly monopolize "double roller double stroke" imprinters provided with one roller which prints *all* of the lines, including the machine code line, of embossing from a credit card on one stroke and all of the lines of embossing from the merchant plate on another

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[10] As P. Fact 32 (ii), I 22 states "Exhibits 12, Tab P, [sic M] shows that the MICR 12-48-3 and 12-48-4 imprinters were sold in only extremely limited quantities for only a limited time"—and so corroborates Korfmann's testimony. Specifically, PX 12M shows "Unit Sales" for ten fiscal years, 1967-77. In this ten-year period, only 1,956 units were sold. Of these, 1,683 were sold in FY-67 (671) and in FY-70 (1,012). Further, not one 12-48-4 unit was sold in any of FY-69, '73, '75, '76 or '77, eight such units were sold in FY-70, ten in FY-72 and six in FY-74. Not one Model 12-48-3 unit was sold in FY-73, '75 and '77, and a total of only 21 such units were sold in the six-year period between FY-71 and FY-77. Compare the "hundreds of thousands" of commercially successful single roller platen single stroke AM Model 12-45 and 12-48 imprinters sold by AM (Wasson, R. 272, ll. 16-20) and the "many thousands" of Model 833 and 845 single roller platen single stroke imprinters sold by Farrington (Bradford, R. 924, ll. 11-13). All of these thousands of single roller single stroke imprinters produced OCR scannable imprints.

stroke. Such mischaracterizations, misrepresentations and distortions include, among others, the following:

(a) Regarding claim 12 of the '800 patent, D. Fact 47A advances a deliberate lie to counter the demonstration in P. Facts 80-90, pages I 56-66, that "AM is estopped to rely on the doctrine of equivalents". The lie is that:

> "*Claim recitations common* to patent Claim 12 and application Claim 27 *include* . . . 'providing a first platen roller carried by said platen holder dimensioned and aligned to roll along only said one row of characters, and a second platen roller dimensioned and aligned to roll along other than said one row of characters.'" (D. Fact 47A) (emphasis added)[11]

The representation is false, *inter alia*, because claim 27 says nothing whatever about how the first and second platen rollers are "*dimensioned*". See P. Fact 88, I 65.[12]

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[11] The falsehood is exacerbated by the very next sentence in D. Fact 47A which states:

> "[Application] Claim 27 also had required, 'moving a first platen roller lengthwise of the lines of characters in cooperating relation with a single one only of said lines of characters without taking any impression from the other lines; and moving a second roller platen lengthwise of the lines of characters in cooperating relationship to lines of characters other than said single line'."

The juxtaposed position of these two sentences and the statement that "[application] Claim 27 also had required" is a false representation to the Court that the quotation from claim 27 is the same as the immediately preceding quotation from claim 12.

[12] Rejected application claim 27, paragraphed for ease of understanding, is set forth in P. Fact 87 as follows:

> "27. A method of taking an impression upon a document from an embossed printing device including slightly spaced laterally adjacent straight lines of printing characters whose

D. Fact 47A also states falsely that:

> "Claim recitations common to patent Claim 12 and application claim 27 include the elements of . . . the '*closely* spaced rows of *imposition* characters' which are '*in side-by-side relation*', printing 'a form' or document. . ."

As appears from inspection, application claim 27 does *not* include claim 12's recitation that the "printing device" contain "a plurality of closely spaced rows of impression characters in side-by-side relation". *Neither* claim 12 *nor* claim 27 refers to printing a "*form*". Claim 27 specifies "taking an impression upon a *document*". Claim 12 defines "steps" in "making an operative printed reproduction" but does *not* recite *upon what* the "reproduction" is *made*.

The *differences* between application claim 27 and claim 12 are accurately set forth in P. Fact 88, page I 65 and P. Fact 90, page I 66.

(b) Plaintiffs contend, among other things, that (i) claim 7 of the '120 patent and claim 12 of the '800 patent, in particular, cannot be infringed regardless of the lan-

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printing surfaces all lie approximately in a single printing plane, which comprises

[1] moving a first roller platen lengthwise of the lines of characters

[a] in cooperating relation with a single one only of said lines of characters without taking any impression from the other lines; and

[2] moving a second roller platen lengthwise of the lines of characters

[a] in cooperating relationship to lines of characters other than said single line without taking any impression from the single line

whereby the impression of said single line is taken under conditions of freedom from pressure fluctuation caused by the presence or absence of characters in the other lines."

guage of the claims because "the NBS imprinters reject the inventive features of the '800 and '120 patents" and the "actual invention" which these patents describe;[13] and that (ii) pursuant to settled law, the scope of a patent claim is to be determined in light of the specification, prosecution history and the prior art.[14]

Defendants do not meet these contentions on their merits, but instead misrepresent, *e.g.*, that:

> ". . . NBS contends that to determine infringement, *each asserted claim* is *limited to unclaimed* details *of the specific form* disclosed in the drawing and specification. . . ." (D. Fact 32A) (emphasis added);[15] and
>
> "NBS contends that the accused products do not infringe Claim 12 of the '800 Gruver patent in suit because, generally, the claim should be *limited to the device disclosed in the patent specification, with no scope of* equivalency. . . ." (D. Fact 42)[16] (emphasis added)

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[13] See *e.g.*, "Plaintiffs Post-Trial Argument" Section II, "The Accused NBS Imprinters Cannot Infringe Either the '800 or the '120 Patents", p. 7, *et seq.*

[14] See *e.g.*, "Plaintiffs Post-Trial Argument", Section VI.B, "NBS Imprinters Do Not Infringe Claim 7 of the '120 Patent", p. 38, *et seq.*

[15] Plaintiffs' Post-Trial Argument, Section II, p. 7 does demonstrate, on the basis of settled and consistent authority of many years standing, that there can be no infringement of claim 12 of the '800 patent or claim 7 of the '120 patent, regardless of the language of the claim, because the NBS imprinters do not utilize the inventive features described in the patents.

[16] Plaintiffs have quite properly pointed out that the doctrine of equivalents does *not* apply and hence need *not* be considered because the accused NBS imprinters achieve a different result by different means in a different way from the invention described in the '800 patent specification. See P. Fact 78, I 54.

(c) Plaintiffs have not contended that either claim 7 of the '120 patent or claim 12 of the '800 patent is limited to the imprinting of MICR characters as misrepresented in D. Facts 38-S and 47, which state:

> "NBS's final contention is that the Johnson ['120] invention is directed only to imprinting single lines of MICR characters, as described and illustrated, and that the Johnson patent therefore has no applicability to imprinting OCR characters. . . ." (D. Fact 38-S)
>
> ". . . [NBS contends] that Claim 12 is limited to imprinting MICR characters and cannot be extended to the imprinting of OCR characters. . . ." (D. Fact 47)

The contention of NBS is that the sole invention described in the '800 and '120 patents is to imprint a machine code line of either MICR or OCR characters in isolation from other closely spaced lines of embossing on a printing device; that the notion to print a machine code line of characters in isolation has no practical applicability in the OCR context; and that the accused imprinters do *not* so function and hence do not infringe regardless of whether the '800 and '120 patent specifications advert generally or specifically to OCR characters as well as MICR characters. See *e.g.*, "Plaintiffs Post-Trial Argument", Section II, p. 7 *et seq.*; Section VI.B., p. 38, *et seq.*

(d) P. Facts 21 to 27, I 10-18 demonstrate by undisputed record evidence the existence of a *dichotomy* between the rigorous criteria for scannable MICR imprints and the far less rigorous criteria for scannable OCR imprints—*and that* the practical consequences of this MICR/OCR dichotomy is to "demolish" defendants' focal contention that "two roller platen, two stroke imprinters are necessary to produce OCR scannable imprints having an acceptable reject rate" (P. 27, I 15) because the dif-

ference, if any, between the quality of one stroke and two stroke imprints is immaterial.

D. Fact 12A mischaracterizes this evidence, which is disadvantageous to the defendants' case, by stating falsely:

> "NBS thus contends in essence that single and double roller and single and double stroke imprinters provide OCR imprints *of equal quality*" [17]

—and then goes on to advance various arguments to show that this fabricated contention, which NBS never made, should be "rejected" by the Court because the "quality" of imprints from double or single stroke imprinters is *not "equal"*.

NBS has *never* contended—nor is it relevant—whether or not imprints from single and double stroke imprinters are of *"equal* quality". The dispositive consequence of the undisputed dichotomy between OCR and MICR technology is that the differences, if any, in the "quality" of the imprints from single and double stroke imprinters are simply not materal to OCR processing. For this reason, the alleged "invention", i.e., the printing of a machine code line of embossing in isolation, is of *no practical utility*—and hence is *not* used by NBS or anyone else—in the OCR context, albeit possibly of some use in the *MICR* context. See "Plaintiffs' Post-Trial Argument", n. 5, p. 8 and associated text.

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[17] This representation is preceded by an equally false statement that:

> "NBS contends that OCR processing systems have not benefited from improved imprinting quality, as MICR systems did in the early 1960's. . . ." (D. Fact 12A)

NBS has not made such a contention. Moreover, the record does not show that either "OCR processing systems" or "MICR systems" "benefited from improved imprinting quality . . . in the early 1960's"—or the differences, if any, between the degree to which the OCR and MICR "systems" may have so benefited.

(e) D. Facts 37-S mischaracterizes the record to represent:

> "NBS also contends that *since* the AM model 12-48-3 imprinter—which is agreed to embody the '120 Johnson invention—does *not* have a station plate, Claim 7 can *never* be read as infringed by a product or method using a station plate. . . . [T]he Johnson specification itself discloses . . . an embodiment with both a credit card and station plate. . ." (D. Fact 37-S) (emphasis added)

NBS has advanced no such contention.

NBS *has* demonstrated that the station plate S simply is not a "portion" of the "printing device" as claim 7, in terms, requires. The machine code (MICR) line of embossing is imprinted in isolation whether a station plate is *present*, as in case of the 12-48-3 imprinter, (shown in Fig. 1 of the '777 patent) or *not present* (as in the case of the 12-48-4 imprinter (AX 17)).

The '120 patent's reference to a station plate, therefore, is irrelevant and affords no justification for the defendants' charge that NBS imprinters, which simultaneously imprint all of the lines of embossing from the credit card, infringe claim 7. See P. Facts 105-112, pp. I 72-82 and "Plaintiffs' Post-Trial Argument", pp. 39-40.

(f) According to D. Fact 45:

> ". . . [NBS contends] that the platen rollers in the NBS accused devices are *not narrow* and *wide* and *thus* avoid infringement [of claim 12 of the '800 patent]. . . . Claim 12 does not *in terms* require that the platen rollers be narrow and wide." (D. Fact 45) (emphasis added)

Per contra, Claim 12 "in terms" specifies making an imprint

> "from an embossed printing device [which] . . . contains a *plurality* of impression characters" by
>
> "providing a first platen roller *dimensioned* and aligned to roll along *only* . . . *one* row of characters, and
>
> "a second platen roller *dimensioned* and aligned to roll along other than said one row of characters." (emphasis added)

A fortiori, there must be a "first platen roller" which must be "narrow" (because it is "dimensioned to roll along *only* one row of characters")—as compared to the wider second platen roller (because it is "dimensioned and aligned to roll along other than said one row of characters").[18]

The NBS contention is that the NBS accused devices avoid infringement, *inter alia*, because (1) the two NBS platen rollers are of the same width; (2) one of the NBS platen rollers prints *all* of the lines of embossing from the credit card and the other of equal width imprints all of the lines of embossing from the station plate; and (3) hence, *neither* of the platen rollers is "dimensioned" as required by claim 12.

(g) Plaintiffs have never contended, as D. Fact 44 misrepresents, that claim 12 of the '800 patent requires "equally spaced rows of impression characters on the recited "printing device". D. Fact 44 incorrectly attributes such a contention to plaintiffs as a predicate for its spurious argument that the lines of embossing on a "printing device" satisfy claim 12's "closely spaced" re-

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[18] The possibility, *e.g.*, that two rows of characters would constitute a "plurality", thus permitting both of the platen rollers to be similarly narrow, is a frivolous semanticism in the context of this case. It is an undisputed fact that the credit cards utilized in the imprinters at issue contain at "least three lines of embossing", one of which is the OCR row. See PX 122.

quirement if the rows "can be reached by one or more platen rollers".

D. Fact 44 states:

"[i] NBS's . . . contention that claim 12 is limited to a printing device with *closely spaced* rows of impression characters, is based on Figure 15 (AX-2) of the drawing [of the '800 patent] which illustrates a plate D with *equally spaced* rows." [19]

* * * *

"[ii] The Court finds, however, that 'closely spaced rows' need not be equally spaced from one another." [20]

* * * *

"[iii] *Instead,* the rows need *only* be sufficiently close together that the rows of impression characters can be reached by one or more platen rollers passing over the bed of an imprinting machine." [21]

"[iv] Certainly any of the lines on the credit card and merchant plate used in each accused

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[19] At no place does the '800 patent specification state that the lines of embossing on the plate D are "equally spaced".

Instead, the specification makes it clear that the adjacent rows of embossed characters are "closely spaced" if they are so positioned with respect to the machine code row that "varying extraneous pressure influence . . . would be introduced by the presence or absence of characters and other lines being imprinted at the same time" (Col. 9, l. 69-Col. 10, l. 3). See PX 95.

[20] NBS has never contended that the phrase "closely spaced" in claim 12 must be interpreted to mean "equally spaced". Hence, the finding which statement [i] invites the Court to make addresses a moot issue.

[21] The argument advanced in statements "[iii]" and "[iv]" is a post-trial afterthought of counsel, having no support in the record—and certainly no support in the '800 patent specification.

> NBS product are sufficiently closely spaced to be reached by one or more platen rollers and thus to come within the claim." (emphasis added)

(h) D. Fact 46 argues that claim 12 is "infringed by accused products which do not print only one machine-readable row and no others with one roller" but "imprint all the rows of characters from the credit card with one roller and all of the rows of characters from the merchant plate with the other" on the basis of an alleged:

> "demonstration that claim 12 is properly interpreted to require that there be only one machine-readable line which is imprinted by one of the platen rollers."

The ensuing "demonstration" is spurious.

Three of the statements upon which it is posited mischaracterize the evidence and *assume* exactly what the "demonstration" is supposed to *prove*—i.e., that claim 12, despite its express language, really does *not* require that the machine code row of embossing be printed in isolation.

(a) "[I]mprovements in OCR carbons and scanners have allowed the use of the *Gruver invention* in OCR applications so long as any one row of characters imprinted by the first platen is machine readable, since pressure variations are not so crucial in OCR as in MICR applications. (R 751-52)" [22]

(b) "The testimony of all the knowledgeable witnesses is that imprinting according to the

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[22] The quoted statement invites a false inference. The fact that the requirements for scannable OCR imprints are far less rigorous than those for scannable MICR imprints does not result in the "use of the Gruver invention in OCR applications". It results instead in the use, for OCR, of the very prior art technique, disdained in the file wrappers of the '800 patent, pursuant to which all lines of embossing on a credit card including the machine code line are simultaneously imprinted.

claimed Gruver double roller double stroke invention does provide a much improved operative response in OCR credit card applications. (R 751-52; AX-54A pp. 30-36, 56-59; AX-54C pp. 50-51, 60-61; AX-54E pp. 408-12, 413)" [23]

(c) "The increased performance of that [claimed] configuration is today acknowledged and indeed is now copied throughout the industry. (R 204-05, 587; AX-54A, pp. 23, 24, 26, 234-35; AX-54B pp. 146-48)" [24]

In these premises, the expressions "Gruver invention", "claimed Gruver double roller double stroke invention" and "that [claimed double roller double stroke] configuration" tacitly assume that the "invention" is *not* limited to imprinting the machine code row in isolation—but instead includes simultaneous imprinting of all of the lines of embossing on the credit card, thus rejecting the only "invention" claim 12 purports to define.

D. Fact 46 also states:

"Finally, and in any event, NBS cannot avoid infringement of Claim 12 by having the one platen roller imprint more than one line of machine readable characters. To so find would be to work an in-

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[23] The representation that the record citations support statement (b) is false. Not one of the cited passages from the record is concerned with the imprinting of *any* machine code line in isolation from other adjacent lines of embossing on any "printing device" as required by the "*claimed* Gruver double roller double stroke invention."

[24] Statement (c) is false for the same reasons as statement (b). The *claimed* Gruver configuration has never been used in the industry, much less "copied throughout the industry". Instead, that "configuration" was a commercial failure. None of the record citations are concerned with any imprinter which imprints a machine code row in isolation but only with the prior art technique pursuant to which all of the lines of embossing from a credit card are printed simultaneously.

> justice and a fraud on the patent. . . . [A] mere change in the performance, or the imperfect use of an invention—as by imprinting additional lines of characters which may interfere to some degree with impression quality obtained from the one line—*does not avoid infringement.*" (emphasis added)

If printing "additional lines of characters which may interfere to some degree with impression quality obtained from the one line" "*does not avoid infringement*", then, as the '800 patent file wrappers confess, claim 12 "*does not avoid*" the acknowledged prior art (see P.Fact 85, I 61, note 26 and associated text)—nor does it define the alleged "invention" with the precision demanded by 35 U.S.C. § 112.

(i) D. Fact 30A states:

> "NBS contends that its accused products are *single roller*, single stroke *devices, just like those in the prior art such as the Farrington models 833 and 845* petroleum imprinters. (AX-18, 19) The Court rejects this contention." (emphasis added)

This statement is false. "Plaintiffs' Post-Trial Argument" does *not* state that the accused NBS imprinters are "*single* roller, *single* stroke devices". It *does correctly point out* that the NBS imprinters—*like every other commercial imprinter of record*, including the Farrington 833 and 845—and whether provided with one platen roller or two, and whether operated on one stroke or two —prints *all* of the lines of embossing—including the *OCR* line—*from the credit card with* one platen roller in a *single* stroke—and that all such imprinters *reject* the notion of printing the OCR line in *isolation*:

> "Accordingly, the accused NBS imprinters—in common with virtually all other commercial imprinters of record—reject the notion of printing an OCR line in isolation and use instead the prior art technique of printing the OCR line simultaneously with

other lines of an embossed plastic card with one platen roller in a single stroke.[6]

"[6] At least the following commercial imprinters imprint all lines of embossing, including the OCR line, from a credit card with a single roller in a single stroke—no such imprinter is provided with a narrow roller to imprint only the OCR line in isolation from the other lines of embossing on the credit card: [the ensuing subparagraphs (i) through (iv) identify commercial imprinters of AM, Bartizan, NBS and Farrington, all of which imprint all of the rows of embossing from a credit card simultaneously with one roller platen.]" ("Plaintiffs' Post-Trial Argument", pages 8-9)

248. Defendants' mischaracterizations of the evidence with respect to issues involving patent 3,763,777 include the following:

(a) Plaintiffs' Post-Trial Argument, Section VII.C, p. 45, *et seq.* demonstrates that the '777 patent is invalid or not enforceable because claims 4 and 5 are invalid but not "without deceptive intention" (35 U.S.C. § 288).

D. Fact 92 advances the false representation that:

> "Claims 4 and 5 are not in controversy here, because AM has never made a specific infringement charge under them. AM's infringement charge was under the patent, not under each and every claim of the patent."

In fact, AM did not *finally* abandon its infringement charge based on claims 4 and 5 of the '777 patent until the March 15, 1982 Pretrial Order was filed. As stated in "Plaintiffs' Trial Memorandum", page 54, in a "supplemental response" served October 12, 1981 to plaintiffs' requests for admission 65 and 66, AM *denied* that the NBS Model 750-T imprinter "does *not* infringe" claims 4 and 5 of the '777 patent. AM's answer to Interrogatory No. 2(a), served February 16, 1982, is equivocal as to whether claims 4 and 5 were to be relied upon at trial stating "As presently advised . . . [only] claims 1-3 of

teh '777 Brown patent" would be asserted. A letter dated February 18, 1982 from Robert Curfiss, one of AM's house counsel, says that claims 4 and 5 will not "be asserted" at the trial, a representation not made final until the March 15, 1982 Pretrial Order was filed.

(b) D. Fact 27 mischaracterizes the evidence to represent:

> "AM never itself commercialized the '777 Brown patent, largely because it had already developed and implemented single shifting platen, double stroke inventions of other AM inventors Nantz and Janick. (R 264)"

Wasson's testimony at R. 264 is shown to be worthless by his later *admission* that he had *no knowledge* of the relevant facts.

Wasson testified at R. 264:

> "Q Would you identify an imprinter made by AM which uses the Brown development?
> "A Well, I believe there was a prototype made.
> "Q I'm talking about a commercial machine sold to the trade.
> "A No, sir, I don't believe that I know of one.
> "Q Why is that?
> "A I *believe* because the optical character recognition results we were getting from the Nantz and Janik patents were giving us the results they were looking for." (R. 264, ll. 9-18) (emphasis added)

However, Wasson subsequently admitted that he did *not know why* the Brown invention was never commercialized:

> "Q You have attributed certain advantages to the so-called Brown development. Do you know whether AM management ever seriously considered making a machine using the Brown development?
> "A No, sir.

"Q Do you know any reasons why the Brown development was never commercialized by AM?

"A No, sir." (R. 356, ll. 1-8)[25]

249. D. Fact 12A, p. 1 mischaracterizes the evidence to represent that:

"The Farrington Models 833 and 845 OCR data recorders were replaced by AM's competing bar code

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[25] 248.1 This testimony is a typical instance not only of Wasson's availability, despite the contraints of his oath, to testify based solely on a groundless "belief" as to matters concerning which he had no actual knowledge of the relevant facts—but also of defendants' equally unconstrained reliance upon such worthless testimony.

For example, D. Fact 28 falsely represents, again on the basis of an unsupported Wasson "belief" that:

"Farrington did offer a Model 4920 data recorder with a double roller, double stroke system to the financial market in 1975 or 1976 (AX-54A, pp. 16-17), *but withdrew it from the market shortly after AM filed its patent infringement suit against Bartizan. (R 207)*" (emphasis added)

R. 207 states:

"Q Would you [Wasson] please describe your understanding of the introduction or attempted introduction of that Model 4920 into the U.S. marketplace?

"A Yes, Farrington Business Machines introduced this product within the last three or four years, AX-51, which is the Farrington Model 4920. They introduced it in the last three or four years, and they withdrew it shortly after they introduced it.

"Q Do you know why?

"A I *believe* because of our initiation of a lawsuit against Bartizan for infringement of a device with the same type of platen." (R. 207, ll. 7-18) (emphasis added)

This sworn "belief" of Wasson is flatly contradicted by the testimony of Farrington's own Chief Imprinter Engineer Patterson who was *present* and worked at *Farrington* on the Model 4920 imprinter at the relevant time that such imprinter (AX 51) was "withdrawn" from the market "perhaps two years ago, or a year ago because of cost of production" (AX 54A, Patterson, p. 181, ll. 1-12).

data recorders in the petroleum market. (AX-54A pp. 10-12, 121-22)"

This statement compounds the similar misrepresentation first made in D. Fact 10 that the "bar code" used on AM's Model 12-55 "variable money amount" imprinter in the "late 1950's" "could be better read or decoded" than the OCR 7B font previously introduced by Farrington and Intelligent Machines Research Company (IMR) —and that because of the alleged advantages of the "bar code", "Farrington's *competing OCR imprinters* (AX 18, 19) *without the bar code system* and without the variable amount encoder were wholly displaced by the AM bar code data records from the petroleum marketplace. (AX-5A, pp. 10-12, 121-22)."

(i) The *contrary* facts actually shown by the record evidence are:

(1) It was the *absence* of the *variable amount* feature—*not* the alleged *superiority* of the *"bar code"* over the Farrington 7B font, which is still in use today (see part (iii), *infra*)—which placed the Farrington imprinters at a competitive disadvantage vis-a-vis the AM 12-55 and similar "variable amount imprinters".

Patterson, Farrington's chief engineer at the relevant times (PX 140, Patterson p. 4, l. 2-p. 5, l. 12), testified:

"Q Did the 845 [AX-19] continue to be sold to the petroleum market?

A. After the mid '60s, no.

Q. Why?

A. Basically it was replaced by a competitor, by an AM machine.

Q. What model AM machine?

A. I believe the 1255. [AX-13A].

Q. Do you have an understanding why Farrington lost that market to AM?

A. No.

Q. Do you know of any reason why Farrington lost that market to AM?

A Well, I'd say basically they came out with an addition of a variable amount.

Q. 'They' being AM?

A. AM, yes.

Q. And what is the relationship of AM coming out with a variable amount imprinter to the shift in the petroleum market from Farrington to AM?

A. At that time we did not have a viable product.

Q. A viable, variable product?

A. Variable product, yes." (AX-54A, Patterson, p. 10, l. 23 to p. 11, l. 20)

* * * *

"Q. Explain, please, why the additional feature of a variable field made the 1255 [AX-13A] imprinter more appealing to the petroleum market?

A. Well, they were optically scanning the customers' account number, and in addition to the scanning of the variable amount, obviously would speed the throughput data processing.

Q. In other words, with the variable field added to the optical scanning equipment it could scan both the customer number and the amount of the transaction instead of just the customer number?

A. "Yes." (AX-54A, Patterson, p. 12, ll. 7-18)

(2) AM's Model 12-55 "bar code" imprinter *failed* in the marketplace because the "bar code" became less popular in contrast to OCR.

(ii) Maul testified that:

(1) The Model 12-55 machine as illustrated in patent 3,138,091 "was on the market only a relatively short time because of the fact that bar code became less popular in contrast to O.C.R." (PX-140, Maul, p. 173, ll. 21-25);

(2) "Bar code requires a large variable wheel.... The mechanism to align these wheels accurately for printing is necesasrily complicated" (PX-140, Maul, p. 174, ll. 14-17);

(3) "The O.C.R. printing requires a much smaller wheel . . . with resulting simplification in the aligning mechanism" (PX-140, Maul, p. 174, ll. 18-21);

(4) "Hence, the O.C.R. recorder can be manufactured much more cheaply" (PX-140, Maul, p. 174, ll. 22-23);

(5) The Model 12-55 was only sold for "[a]pproximately three years" (PX-140, Maul, p. 225, ll. 21-24); and

(6) The 12-55 machine, as originally designed with "large variable wheels" required for "bar code", was modified by the substitution of the same large wheels for the bar code characters. The 12-55 machine, as so modified, "was not successful" (PX-140, Maul, p. 258, l. 7-18 and p. 262, l. 9-25).

(iii) The 7B OCR font developed by Farrington prior to AM's *un*successful resort to bar code is still in use today, e.g., on American Express cards (AX-54A, Patterson, p. 125, ll. 15-23) (Bradford, F. 912, l. 9 to R. 913, l. 5).

APPENDIX S

STATUTES AND RULES

35 U.S.C. § 102(b) provides:

> A person shall be entitled to a patent unless—
>
> * * * *
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

35 U.S.C. § 103 provides:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

35 U.S.C. § 112 provides:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.
>
> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claims. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

35 U.S.C. § 251 provides:

Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Commissioner shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance

with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

The Commissioner may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

No reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

35 U.S.C. § 288 provides:

Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent and Trademark Office before the commencement of the suit.

37 C.F.R. § 1.56(a) and (d) provide:

(a) A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated

with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

* * * *

(d) No patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or gross negligence. The claims in an application shall be rejected if upon examination pursuant to 35 U.S.C. 131 and 132, it is established by clear and convincing evidence (1) that any fraud was practiced or attempted on the Office in connection with the application, or in connection with any previous application upon which the application relies, or (2) that there was any violation of the duty of disclosure through bad faith or gross negligence in connection with the application, or in connection with any previous application upon which the application relies.

Model Rule of Professional Conduct 3.3 provides:

(a) A lawyer shall not knowingly:

(1) make a false statement of material fact or law to a tribunal;

(2) fail to disclose a material fact to a tribunal when disclosure is necessary to avoid assisting a criminal or fraudulent act by the client;

(3) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or

(4) offer evidence that the lawyer knows to be false. If a lawyer has offered material evidence and comes to know of its falsity, the lawyer shall take reasonable remedial measures.

(b) The duties stated in paragraph (a) continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by Rule 1.6.

(c) A lawyer may refuse to offer evidence that the lawyer reasonably believes is false.

(d) In an *ex parte* proceeding, a lawyer shall inform the tribunal of all material facts known to the lawyer which will enable the tribunal to make an informed decision, whether or not the facts are adverse.